UK FINANCE

# ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

1 January to
31 December

UK FINANCE

Representing over 300 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

## OUR PURPOSE

Enabling the banking and finance industry to thrive.

## OUR CORPORATE OBJECTIVES

Expert advocacy

Authoritative data

Trusted partnerships

Excellent services

Financial resilience

## OUR VALUES

**Integrity.** We act transparently and ethically for the good of our members as well as their customers and wider society. We seek to enhance trust in the banking and finance industry.

**Excellence.** We lead from the front as a beacon of quality, inspiration and best practice.

**Leadership.** We are proactive and innovative in helping to shape tomorrow's banking and finance landscape.



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# CHIEF EXECUTIVE'S FOREWORD

**In my second year as Chief Executive, UK Finance has continued to deliver constantly and consistently for its members, consumers and society.**

A key focus for UK Finance and our members across the width and breadth of the country has been our long-standing efforts to ensure that every consumer and every business across the UK has fair and equal access to the UK's dynamic financial sector.

As the cost of living has increased due to increased energy prices and inflationary pressures, we have worked hard to support and guide borrowers and those most vulnerable to ensure that those in need can access and use financial services and products, and that they are treated positively and empathetically. We achieved this by ensuring that everyone who needs it has access to cash, that homeowners have tailored and effective support when struggling to afford their mortgages, and that we continue our fight against financial abuse.

Another topic that continues to gain momentum in Whitehall and across the finance sector is the UK's ambitious net-zero target. This is a policy area to which our company remains resolutely committed. We produced our **Net Zero Homes: Time for a Reset** report which sets out key recommendations to government and devolved administrations for greening domestic buildings. It includes considerations and recommendations on how the banking and finance sector can support the Net Zero objective and ensure that people are not left behind.

We have driven forward our sanctions work on behalf of the industry, not least following Russia's invasion of Ukraine which has brought many challenges. Under time-critical circumstances, we have ensured positive engagement and collaboration between the private sector and government to aid successful sanctions compliance.

We refuse to give up on victims of fraud; a crime that accounted for 41 per cent of all crimes in the year to June 2022. Fraud may be a faceless crime, but it certainly isn't a victimless one. Our Dedicated Card & Payment Crime Unit (DCPCU), an operational police unit funded though members, not only saved our members and their customers millions of pounds last year, they disrupted 16 organised crime groups, arrested over 100 suspected criminals, and secured 25 convictions just in the first nine months of the year. Moreover, our national **Take Five to Stop Fraud** campaign generated strong national media interest with the website recording an average of 118,000 views per month.

A cornerstone of our work last year was advocating for **robust and agile legislation** that will allow the UK to remain a competitive and powerful financial centre for UK-based businesses and foreign investment.

We have played a key role in the development of the Financial Services and Markets Bill, the Economic Crime and Corporate Transparency Bill and the Online Safety Bill. We have also worked tirelessly to ensure our members are prepared and supported ahead of the Consumer Duty scheduled for the end of July this year.

Of course, a review of 2022 must mention the sad passing of Queen Elizabeth II and the ensuing **operational resilience** UK Finance provided. UK Finance took swift steps to implement long-standing contingency plans following the tragic news. We worked closely with members, the Bank of England and other industry partners in the period leading up to the funeral to consider a range of significant operational and market challenges. It was through these activities that much disruption was avoided when it came to the day of the funeral, and the focus stayed rightly on the Queen.



Our latest **annual member survey** was conducted in September 2022 and demonstrated that we continue to provide excellent member value. Our company was rated as an effective organisation by 98 per cent of members, while 99 per cent of members positively rated UK Finance's performance at building and maintaining effective relationships with regulators and policymakers.

For my part, I have had the pleasure of attending numerous high-level meetings with government and industry stakeholders over the past year. There are too many to mention but include engagements with the then Prime Minister Boris Johnson, Chancellor Jeremy Hunt MP, Secretary of State Michael Gove MP, Economic Secretary to the Treasury, Andrew Griffith MP and his predecessor John Glen MP and former Chancellors Nadhim Zahawi MP and Kwasi Kwarteng MP.

As we say goodbye to a challenging, yet very rewarding 2022, we welcome a busy 2023.

I would like to thank UK Finance colleagues, members and stakeholders whose vision and determination has made 2022 a highly successful year for the UK banking and finance sector, and promises to make 2023 an even more ambitious and dynamic one.

**David Postings**
**Director and Chief Executive Officer, UK Finance**

# OFFICERS AND PROFESSIONAL ADVISERS

## DIRECTORS

The directors who served during the period under review and up until the date of signing the financial statements were:

### Chair

**Bob Wigley**
(Appointed 1 March 2017)

### Chief Executive Officer

**David Postings**
(Appointed to the Board 26 September 2018 and appointed as CEO UK Finance 1 January 2021)

### Other Board members

**Joanna Elson, OBE**
(Appointed 1 July 2017)
Chief Executive Officer
Money Advice Trust

**Joe Garner**
(Appointed 1 July 2017, resigned 6 May 2022)
Chief Executive Officer
Nationwide Building Society

**Miles Celic**
(Appointed 1 July 2017)
Chief Executive Officer
TheCityUK

**David Duffy**
(Appointed 1 July 2017)
Chief Executive Officer
Virgin Money UK
Senior Independent Director and Chair of the Nominations and Remuneration Committee

**Anne Marie Verstraeten**
(Appointed 13 February 2020)
UK Country Head
BNP Paribas

**Ruth Leas**
(Appointed 7 May 2020)
Chief Executive Officer
Investec Bank plc

**Stephen Hughes**
(Appointed 7 May 2020)
Chief Executive Officer
Coventry Building Society
Chair of the Audit and Oversight Committee

**Beatriz Martin Jimenez**
(Appointed 7 May 2020, resigned 6 May 2022)
UK Chief Executive / Global Chief Operating Officer, Investment Bank UBS

**Anne Boden**
(Appointed 7 May 2020)
Chief Executive Officer
Starling Bank

**David Lindberg**
(Appointed 8 October 2020)
CEO, Retail Banking
NatWest Group plc

**Nigel Terrington**
(Appointed 30 September 2020)
Chief Executive Officer
Paragon Group

**Kelly Devine**
(Appointed 1 February 2021)
President, UK & Ireland
Mastercard

**Adrian Sainsbury**
(Appointed 1 February 2021, resigned 5 March 2023)
Chief Executive Officer
Close Brothers

**Anil Sai Tummalapalli**
(Appointed 1 February 2021)
Chief Executive Officer
Monzo Bank

**Sean Matthew Hammerstein**
(Appointed 1 July 2021)
Chief Executive Officer
Barclays Bank UK

**Lucy Marie Hagues**
(Appointed 1 July 2021)
Chief Executive Officer
Capital One

**John Patrick Hourican**
(Appointed 1 July 2021)
Chief Executive Officer
NewDay

**Maxwell Franklyn Roberts**
(Appointed 1 July 2021)
UK Country Lead
Stripe

**Mandy Lamb**
(Appointed 1 December 2021)
Managing Director UK & Ireland
Visa Europe

**Arun Kohli**
(Appointed 1 February 2022, resigned 1 February 2023)
Chief Operating Officer, EMEA
Morgan Stanley

**Tiina Le-Seong Lee**
(Appointed 1 February 2022)
Chief Executive Officer, UK & Ireland
Deutsche Bank

**Erin Platts**
(Appointed 1 July 2022, resigned 28 February 2023)
Head of EMEA, President of UK Branch
Silicon Valley Bank

**David Soanes**
(Appointed 1 July 2022, resigned 9 December 2022)
UK Country Head
UBS Group

**Ian Stuart**
(Appointed 1 July 2022)
Chief Executive Officer
HSBC Bank Plc

**Robert Bulloch**
(Appointed 1 February 2023)
Chief Executive Officer
TSB Bank plc

**Wayne Lawson-Turnbull**
(Appointed 1 February 2023)
Chief Operating Officer for EMEA
UBS AG, London Branch

**Deborah Crosbie**
(Appointed 1 May 2023)
Chief Executive Officer
Nationwide Building Society

**Christopher Beatty**
(Appointed 1 May 2023)
Chief Operating Officer – EMEA
Morgan Stanley

**Registered number**
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**Registered office**
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1 Angel Court
London
EC2R 7HJ

**External auditor**
RSM UK Audit LLP
25 Farringdon Street
London
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# STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2022.

## DIRECTORS' DUTIES

The directors of UK Finance Limited (the 'Company', or 'UK Finance'), and those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decision in the long term;

b. the interests of the company's employees;

c. the need to foster the company's business relationships with suppliers, customers and others;

d. the impact of the company's operations on the community and the environment;

e. the desirability of the company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly as between members of the company.'

As part of their induction a director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important to recognise the directors fulfil their duties partly through a governance framework that delegates day-to-day decision-making to employees of the company and details of this can be found in our Corporate governance section on pages 25–26.

**The following paragraphs summarise how the directors fulfil their duties:**

### Risk management

UK Finance actively manages risk on a daily basis and consideration of risk is part of the process in all long-term decision making. Details of our approach to risk management can be found on page 27.

### Employees

Our employee values are integral to the way we work. They inform everything that we do and are core to our operations. Our three core values are:

- Integrity – We act transparently and ethically for the good of our members as well as their customers and wider society. We seek to enhance trust in the banking and finance industry.
- Excellence – We lead from the front as a beacon of quality, inspiration and best practice.
- Leadership – We are proactive and innovative in helping to shape tomorrow's banking and finance landscape.

### Colleague Engagement

During 2022 we undertook our annual colleague engagement survey with Best Companies and we are proud and delighted to have been rated by Best Companies as 'a Very Good company to work for,' and to have received a 'One Star' accreditation within their 'Large Companies' category. We were also delighted to attain a position on all three of the Best Companies 2022 Q1 and Q4 league tables (Best Large Companies to Work For League Table, Business Services Sector League Table and London's Best Large Companies to Work For League Table).

### Women in Finance

UK Finance is committed to the HM Treasury Women in Finance Charter (the 'Charter'). The Charter is a commitment by HM Treasury and signatory firms to work together to build a more balanced and fairer financial services industry.

In signing up to the Charter in November 2017, following discussion within our Board, we set ourselves the target of achieving 40 per cent female representation within senior management over three years. We are delighted that we have now met this initial target (our female representation at senior level is currently 40 per cent) and we are now looking ahead and focusing on achieving gender parity by 31 December 2023. To date we have made excellent progress towards this target which is supported by current gender equality across our organisation within middle management and more junior posts.



### Gender and Ethnicity Pay Gap

We voluntarily participate in Gender Pay Gap and Ethnicity Pay Gap reporting and publish our results on our website. In 2022 we continued to make good progress in reducing our gender pay gap which has been in steady decline since reporting began in April 2020, and we continue to focus on practical measures that will support the work we are doing to reduce our ethnicity pay gap.

### Social Mobility Pledge

As a signatory of the social mobility pledge we are committed to supporting and driving social mobility through our outreach, access and recruitment activities. This year we are delighted to once again be working with Career Ready, a national social mobility charity which works with employers, schools, and volunteers to support young people across the UK, to offer a number of paid work experience opportunities to disadvantaged young people between the ages of 16 and 18.

### Business relationships

Our strategy is to work with business partners to champion a thriving banking and finance industry. Our operational activity enhances members' own services in situations where collective industry action adds value. Developing and maintaining strong relationships with our members, customers and suppliers is essential to this. We value our suppliers and aim to have multi-year contracts with our key suppliers.

### Prompt Payment Code

UK Finance is proud to be signed up to the Prompt Payment Code (the "Code") and has had 30-day standard payment terms since its inception. The Code sets standards for payment practices and best practice and is administered by the Chartered Institute of Credit Management on behalf of the Department for Energy Security & Net Zero. Compliance with the principles of the Code is monitored and enforced by the Prompt Payment Code Compliance Board. The Code covers prompt payment, as well as wider payment procedures.

### Living Wage

As a London Living Wage employer, UK Finance is proud to be a supporter of the Living Wage Foundation, the independent movement of organisations, businesses and people campaigning for a real living wage based on the cost of living, not just the government-determined minimum wage.

### Supplier Charter

UK Finance aspires to meet the highest standards of business conduct and expects the same of its suppliers. Our Supplier Charter sets out how UK Finance will work with suppliers and supply chain partners to deliver excellence in sustainability.

## COMMUNITY AND ENVIRONMENT

UK Finance is committed to supporting the wider community and protecting our environment. UK Finance provides a volunteering programme to colleagues which demonstrates our commitment to our communities, our people and our members, and is integral to our role as a responsible business. Our volunteering policy enables colleagues to take up to three days paid leave each year to support good causes. During 2022 our colleagues have supported a wide variety of community projects with practical and skills-based volunteering which have included reservist in the armed forces, taking on Trustee roles with registered UK charities, undertaking various fund-raising roles, supporting policing teams as an Active Citizen, helping out at food banks and undertaking parent governor roles at local schools.

To further our ambitions for a decarbonised economy, we will be introducing an electric vehicle scheme in 2023, where employees can lease an electric car via the salary sacrifice process.

In 2022, UK Finance nominated Alzheimer's Research UK as our charity of the year, which was supported through fundraising initiatives by colleagues. We also regularly partner with Whizz Kidz and the National Autism Society to provide work experience and intern opportunities for young people supported by these organisations.

We continue to ensure that we use our resources appropriately to deliver both environmental and financial benefits and, where possible, reduce our impact on the environment. We work closely with our suppliers to make sure that they support our commitment to sensible environmental practices and good corporate responsibility.

## MEMBERS

Our members are large and small, national and regional, domestic and international, corporate and mutual, retail and wholesale, physical and virtual, banks and non-banks. Our members' customers are individuals, corporates, charities, clubs, associations and government bodies, served domestically and cross-border. These customers access a wide range of financial and advisory products and services, essential to their day-to-day activities. We work for and on behalf of our members to promote a safe, transparent, and innovative banking and finance industry. We offer research, policy expertise, thought leadership, peer communities and advocacy in support of our work. We provide a single voice for a diverse and competitive industry.

## ASSOCIATE MEMBERS

Associate members of UK Finance are firms that support the financial services industry – including in the legal, consulting and technology sectors. Working together, UK Finance and our associate members aim to ensure that the UK retains its position as a safe and transparent global leader in financial services, placing the interests of customers at the heart of our work.

# REVIEW OF THE BUSINESS

## KEY ACHEIVEMENTS OF 2022

- **Coordinating sanctions against Russia amid the invasion of Ukraine, while helping to get the Homes for Ukraine scheme** up and running and ensure that refugees in the UK can access bank accounts.

- **Supporting the set-up of the new operating company, Cash Action UK Ltd,** which will have responsibility for implementing access to cash solutions.

- **Preventing economic crime by coordinating an industry response to fraud, the most prevalent crime in the UK.** The banking industry prevented £583.9 million of unauthorised fraud in the first half of 2022, equivalent to 61.8p in every £1.

- **Helping customers protect themselves from fraud via the Take Five to Stop Fraud campaign,** particularly as fraud and scams related to the rising cost of living emerged.

- **Following the sad passing of Queen Elizabeth II, UK Finance worked closely with members, the Bank of England and other industry partners to produce FAQ documents** that detailed payment, trading and settlement infrastructure working arrangements for the consumption of both the sector and the wider public.

- **Implementing Strong Customer Authentication (SCA) successfully without substantial market disruption after a succession of shifting regulatory deadlines.** The SCA is a new set of rules from the Financial Conduct Authority to help protect customers from fraud when they are shopping online.

- **Engaging with the government, opposition parties and members of both houses of parliament on the Financial Services and Markets (FSM) Bill,** including over 20 bilateral meetings, briefing parliamentarians ahead of debates and a roundtable with Peers, at which our subject-matter experts briefed attendees on key elements of the Bill.

- **Ensuring fraud was included in the Online Harms Bill through building a coalition of supporters across the industry and other related sectors,** which helped convince DCMS that the Bill was an appropriate vehicle to tackle fraud.

- **Partnering with major business groups and sector-specialist trade bodies** in supporting businesses who face barriers to investment, international trade and resources following the pressures from the pandemic, staff shortages and the rising cost of living.

- **Proposing radical action to achieve a Net Zero housing stock in the UK.**

- **Working with the APPG for Financial Markets and Services on proposals to deliver the Banking for Britain report;** a blueprint for how financial services can play its full role in levelling up every part of the UK and deliver growth in a way that benefits all.

- **Working with lenders and the government to ensure lending could resume on buildings with cladding in England.**

- **Supporting members and their customers, and businesses through the cost of living challenge.**

## SUPPORTING CUSTOMERS AND THE ECONOMIC RECOVERY

Supporting consumers in such turbulent and unsettling times over the past year has been an incredible challenge for UK Finance but, together with the support of our members and the industry, we have made strong inroads in advocating for more robust regulation which will protect customers and businesses, while providing a platform for the UK's economic recovery. We wanted to ensure that our financial system worked for everyone across the UK, and that it provided a safe environment for consumers and businesses to protect their savings and investments.

Levelling up the country has become a central theme of British politics due to the enormous impact it has across every corner of the UK, yet despite the banking and financial services sector being one of the country's largest employers and contributing around ten per cent of its total economic output, the contribution of the industry has only been a small part of the levelling up debate.

Working with the APPG for Financial Markets & Services, we led a project looking at the role the financial services sector played in levelling up the UK. We arranged four industry roundtables, based in different cities around the UK, held a detailed written consultation, and conducted numerous interviews with relevant experts. In total, more than 70 different organisations, based in 21 towns and cities across the UK, contributed to this work. To gain a real and detailed insight into public opinion, we conducted a nationally representative poll of 2,000 people and held three online focus groups in Glasgow, Newcastle and Birmingham looking at the role of financial services in levelling up the UK. Based on our efforts, we launched the ***'Banking for Britain: The role of financial services in levelling up'*** report in conjunction with the APPG and Public First at the UK Finance North Dinner in November.

Our report showed that the financial services sector boosts the economic prosperity, life chances and wellbeing of communities right across the UK. The challenge now lies for both government and the industry itself to build on this success.

## Supporting homeowners and tenants

For most households a mortgage represents their largest monthly cost, and with successive rises to the Bank of England base rate this resulted in increased mortgage repayments for many borrowers. The latter part of 2022 also witnessed market volatility and reduced mortgage product availability. These events exacerbated concerns around the cost of living and support for borrowers in financial difficulty.

To this end, our goal was to champion the need for customers to engage early with their lender, and to reassure homeowners that there was tailored support available to help their specific situation.

In addressing this key issue for consumers, we have successfully advocated for tailored forbearance which is more appropriate for borrowers than schemes seen during Covid-19.

We highlighted that changes to mortgage product availability were not a capital or liquidity issue, but instead down to challenges for firms setting prices for fixed-rate products. Our messaging made clear that the mortgage market remained competitive and offered a broad range of products at all Loan-to-value (LTV) bands.

We also coordinated a cross-product industry group with members, the debt advice sector and HM Treasury (HMT) to respond to the Statutory Debt Repayment Plan (SDRP) consultation in August. While supportive of the principle of the SDRP, we highlighted material policy and operational concerns that could result in HMT's policy objectives not being achieved. We continue to engage with senior officials at HMT and other key stakeholders on this issue. We also have an ongoing dialogue with the Financial Conduct Authority (FCA) as it progresses its review of Borrowers in Financial Difficulty.

In the last 12 months, lenders have proactively contacted customers who are worried about their finances a combined total of 16.5 million times to offer support. This includes via post, telephone, email, SMS, website and app messaging, with individuals often contacted more than once to ensure that they know that help is available. Lenders expect this to increase to 20.5 million contacts over the next year.

In a rising rate environment, lenders are also ensuring that those coming to the end of their fixed-rate mortgage deal understand their options. 3.9 million contacts have been made to these customers in the past year and a further 4.4 million is expected in the coming year.

Lenders are proactively supporting borrowers whose finances have been impacted by increases in the cost of living. Over the last year, two million borrowers have been provided with financial difficulty assistance, including budgeting support, access to debt advice and breathing space. This support helps those who are worried about their finances or are likely to struggle to meet payments.

The FCA's Tailored Support Guidance allows firms to provide formal forbearance before a borrower misses their mortgage payment. Lenders' proactive engagement to offer help to those who cannot meet their full mortgage payment has resulted in nearly 200,000 borrowers being provided with mortgage forbearance in the past year.

Of course, not everyone was in a position to buy a property last year and, to that end, we have advocated for plans to improve standards and quality in the private rental sector and highlighted concerns about market and housing supply impacts. In Scotland, we highlighted challenges arising from new legislation for rent caps in the private and social rented sectors.

## Mortgage Prisoners

Another vital action we took to protect homeowners was through our extensive, and ongoing, work around mortgage prisoners. The need to make the UK housing market fairer and more inclusive could not have come at a more critical time as many homeowners are still paying the price of taking out an unaffordable mortgage prior to the 2008 financial crisis. For those whose lenders ceased trading after 2008 and found themselves struggling to pay their mortgage, they fell into category of 'mortgage prisoners'.

So, we swiftly focused on assisting these groups identified by the FCA in its 2021 report. The first stage involved working with third-party administrators and holders of closed mortgage books to identify those borrowers who, according the FCA's analysis, could potentially move lender. The next stage will involve developing a contact and support strategy to help these borrowers become mortgage application ready.



## Cladding, Building Safety and EWS1

A landmark win for UK Finance in supporting customers in 2022 was through our successful lobbying of government to protect homeowners of medium and high-rise buildings with cladding, in order for them to sell and remortgage these affected properties without discrimination. Since the devastating fire at Grenfell, we achieved a full "reset" of the government's building safety approach which worked for lenders and valuers, so lending on flats in affected blocks can return at scale and volume.

We successfully argued that leaseholders should be protected from repair costs, which was reflected in the Building Safety Act making developers and building owners liable. UK Finance also worked closely with the Scottish and Welsh governments on their approaches to these issues.

At the time of writing, the government has issued developers with legally binding contracts that will commit them to pay for life-critical, fire-safety repairs and to reimburse the taxpayer for money already spent making their buildings safe. Under the agreement, which will be legally enforceable, homebuilders must fix all buildings over 11 metres that they have played a role in developing or refurbishing in the last 30 years in England. The government set a six-week deadline for all developers who were invited to discussions to sign the contract.

Regulations will be laid in spring 2023 to create a Responsible Actors Scheme in England, which the Secretary of State for Levelling Up, Housing and Communities intends to establish under powers in the Building Safety Act. All those who fail to sign or comply with the terms of the contract will be ineligible to join the scheme. Being outside the scheme means that those companies may face new restrictions to operate in the housing market, including being prevented from developing land in England until they comply.

## Access to cash

The Covid-19 pandemic accelerated the ongoing trend for consumers to turn from cash to digital payments as banks continued to develop sophisticated and safe ways to bank online. According to UK Finance's Payments Market Report, 86 per cent of adults used remote banking in 2021, 65 per cent used online banking while 57 per cent used mobile banking.

However, many still rely on cash. Access to cash, therefore, remained a high-profile regulatory and political issue throughout 2022. While the use of bank branches continues to fall, we realise that technology is not for everyone and the industry absolutely recognises that branches remain an important part of local communities, and therefore any decision to close one is never taken lightly.

To this end, we worked alongside the Cash Action Group (CAG) and Delivery Authority which both consist of ten member firms, consumer groups and LINK to progress work against industry commitments. In 2022, the number of new Banking Hubs announced reached 25, with many more being announced this year. These hubs allow customers from a wide range of banks to access key banking facilities and trusted advice in person within their own community. We will continue to support the CAG in 2023.

The FCA's updated final guidance on branch and ATM closures and conversions, published in October, included many of our recommendations. We will continue to work with our members, the FCA, HMT and the Lending Standard Board to progress the planned retirement of the Access to Banking.

**"I am sure the Minister knows of Natalie Ceeney, chair of UK Finance's Cash Action Group. During the Committee's evidence session, she made it absolutely clear that the Government have a societal duty to ensure that the most vulnerable people in the UK have free access to cash."**

**Tulip Siddiq (Shadow Economic Secretary to the Treasury)**

We also worked with HM Treasury and the FCA to shape the Access to Cash legislation contained in the Financial Services and Markets Bill to ensure this aligns with the CAG framework.

UK Finance also lobbied and successfully encouraged the government to introduce a cashback without purchase scheme which allows consumers to withdraw up to £100 from participating local stores without the need to purchase anything.

**"I am pleased that UK Finance has been working closely with the Royal National Institute for the Blind to develop accessibility guidelines for touchscreen chip and pin devices, as well as an approved list of accessible card terminals."**

**Baroness Penn (Parliamentary Secretary to the Treasury)**

## Consumer protection

Consumer protection is another key area of focus for us. In the summer, we welcomed HMT's announcement that it intends to proceed with the long-awaited reform of the Consumer Credit Act and we were grateful for the opportunity to engage in the series of HMT-hosted roundtables to put forward industry perspectives.

We published a new set of Section 75 FAQs that responds to the practical concerns and disruptions consumers have faced, and we contributed towards the Department for Trade's Aviation Passenger Charter Document. We remain proactive in our interactions with various regulatory bodies, addressing the need for a more sustainable set of air travel reforms, as well as better streamlining of its insolvency processes.

Our work around the credit data sharing agenda continued to focus last year on its integrity and appropriate compliance. We remain mindful of stakeholders' aims to help prevent problem gambling and have worked with stakeholders to examine the potential use of certain industry data to help manage gambling-related harm.

**"I am grateful to UK Finance for suggesting the amendment. It fully supports the Government's review and wants the consumer credit rules to be brought within the FCA."**

**Baroness Noakes (Conservative peer)**

## Supporting businesses in economic recovery and growth

We are also very mindful that pressures from the pandemic, staff shortages and the rising cost of living have weighed significantly on some businesses.

That's why we have partnered with major business groups and sector-specialist trade bodies in supporting businesses who face barriers to investment, international trade and resources. With small firms facing the ongoing perfect storm of rising energy costs, pressure on supply chains and the return of business rates, these linkages will be crucial in ensuring that the industry is on hand to help SMEs access the finance and support they need, including those eligible for the Recovery Loan Scheme. A key focus during 2023 will be to identify and advocate for specific improvements to the UK's regime to allow our members to provide more finance to more businesses.

UK Finance influenced market-oriented changes to government lending schemes to remove restrictions on personal guarantees and widen the use for invoice finance. We achieved this through co-ordination and promotion of industry work on diversity, and as a result trust in banks by ethnic minority businesses has increased to 95 per cent.

As part of our ongoing commitment to supporting the devolved nations, we advocated for and helped shape the Moveable Transactions Bill (Scotland), removing barriers to invoice finance north of the border. The legislation will reform the provision of secured finance in Scotland, making it easier for businesses with assets subject to Scottish law to use them to access finance. In particular, the legislation will facilitate the provision of invoice discounting through the new Register of Assignations, and lending against other assets though the new statutory pledge.

Working with members, we responded to regulatory challenges around poor lending decisions and engaged with the Financial Ombudsman Service (FOS) to discuss its approach. We highlighted poor practice across claims management companies (CMCs) and law firms and provided detailed input into the FCA's three-year CMC strategy. We also actively engaged in an FCA-led forum, where issues can be raised in an efficient manner across several key regulators.

## Operational Resilience – the passing of Queen Elizabeth II

Following the sad passing of Queen Elizabeth II, UK Finance worked closely with members, the Bank of England and other industry partners in the period leading up to the funeral to consider a range of significant operational and market challenges.

UK Finance was in constant consultation with members while also working in partnership with the UK authorities, other trade associations and a range of FMIs. As a result of these efforts, UK Finance was able to produce FAQ documents that detailed payment, trading and settlement infrastructure working arrangements for the consumption of both the sector and the wider public. It was through these activities that disruption was avoided when it came to the day of the funeral, and the focus rightly stayed on the Queen.

## Government loan schemes

Additionally, we supported the ongoing management of the Bounce Back Loan Scheme (BBLS), the Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS), ensuring that rulesets, guidance and expectations are clear and proportionate. We successfully advocated for the removal of personal guarantee restrictions, together with refocusing on commerciality through the shaping of the third iteration of the Recovery Loan Scheme (RLS), ensuring that the scheme complements the commercially-provided finance options available.



Outside of government schemes, the Commercial Finance team's work on wider business support and restructuring issues continued to develop through the Business Support & Restructuring Member Group which is open to representatives of both Commercial and IF/ABL members.

## Communities and charities sector

Assisting members with sector-specific issues is a key element of our advocacy. Work has been undertaken with the hospitality, farming, defence, automotive and manufacturing sectors, among others last year.

In addition, following concerns raised by HM Treasury, the FCA and the Charity Commission about the servicing of community accounts, we initiated a project with banks and communities/charities. Through facilitated group consultations and dialogue, we produced an action plan to improve the customer experience, enhance understanding and provide a framework for ongoing engagement.

# MAKING THE FINANCIAL SYSTEM SAFER AND INCLUSIVE FOR ALL

## Response to the humanitarian crisis in Ukraine

One of our proudest moments in 2022 was when, following the Russian invasion of Ukraine, we worked with members, the Home Office and HMT to clarify the identity and verification process for refugees wishing to open a bank account in the UK. We secured a number of clarifications on Home Office guidance to the benefit of members. We submitted data to the United Nations' Finance Against Slave Trading (FAST) initiative which showed that as at the end of June 2022, 34,714 basic bank accounts had been opened by 13 member firms for Ukrainian refugees, meaning banking services were provided to more than 40 per cent of the 86,600 Ukrainian refugees who had entered the UK at that time.

## Sanctions

Our Sanctions team has driven forward our work on behalf of the industry, not least following Russia's invasion of Ukraine which has brought many challenges.

Under time-critical circumstances, we have ensured positive engagement and collaboration between the private sector and government to aid successful sanctions compliance. We continued to play an active role in providing vital support for members, also reviewing future geopolitical sanctions risks such as China under our 2022-25 sanctions roadmap. Member engagement is delivered though a weekly update. Monthly member and associate member sanctions panels with the government and breakfast briefings are held to cover high-profile issues such as strict liability and the National Crime Agency red notice.

## KEY HIGHLIGHTS

- **Drove work on the industry's behalf following the Russian invasion of Ukraine, helping to secure Russia general licences for members, saving them billions of pounds.** Ensured positive, time-critical engagement and increased collaboration between the private sector and government to aid successful sanctions compliance and reviewing future geopolitical sanctions risks (such as China) under our 2022-25 sanctions roadmap.
- **Founded the Women in Sanctions Forum** with over 300 professionals from across the UK.
- **Launched the UK Finance 'Sanctions School' podcast** and continued our partnership with the International Compliance Association.
- **Held biannual sanctions conferences**.
- **Helped form and co-chair the HMT/FCA senior sanctions monthly meeting and we continue to meet regularly with government colleagues.** We also increased our outreach to the European Commission, the US, Australian and Canadian governments.

## Financial abuse

We have also undertaken a huge amount of work on our home soil to keep vulnerable consumers safe. Sadly, we are seeing an increasing number of customers falling victim to domestic, financial and economic abuse. We work with members and specialist organisations, including Surviving Economic Abuse (SEA), to raise awareness and offer support:

- We championed the adoption of the Financial Abuse Code, co-written with the SEA, currently at 40 signatories and counting, to help protect their customers.
- Together with the SEA, we updated our leaflet, 'It's Your Money', which provides key information to those exposed to financial abuse and the steps they can take to seek help.
- Full support for members on FCA Finalised Vulnerability Guidance and leading coordination/best practice sharing on implementation of FCA's Consumer Duty final rules, as informed by insights from our Consumer Advisory Group.
- Worked with stakeholders to examine the use of industry data to help manage gambling-related harm.

Our work on customer protection continues to ensure that vulnerable customers can access and use financial services and products, and that they are treated positively and empathetically leading to outcomes that are as good as those for other customers. We have helped members to implement the FCA Finalised Vulnerability Guidance effectively and are supporting in their approach to the FCA's Consumer Duty final rules, as informed by insights from our Consumer Advisory Group.

We continued to support our members last year to deliver a fair and reasonable outcome for customer complaints, raising issues for clarification with the Financial Ombudsman Service as required, and agreeing an industry-wide set of redress reporting principles.

Schools have a vital role to play in providing quality financial education to children and young people, as this helps the development of future financial resilience and wellbeing. To this end, we continued to engage with government stakeholders and the voluntary sector to help schools address barriers to delivering financial education.

## Economic crime

Our greatest success in ensuring a fair and safe financial system for all lies in our dogged efforts to stamp out economic crime. Fraud has a devastating impact on victims and the stolen money funds serious organised crime, so the banking and finance industry remains resolute in stopping fraud at the source and ensuring perpetrators are brought to justice.

**"In particular, I am very grateful to the UK Finance Annual Fraud Report, which highlights in some detail what is happening."**

**Lord Naseby (Conservative peer)**

## So what have we done?

- The banking and finance industry prevented £583.9 million of unauthorised push payment fraud from getting into the hands of criminals in the first half of 2022. Fraud is now the most prevalent crime in England and Wales, accounting for 41 per cent of all crimes in the year to June 2022. The Dedicated Card & Payment Crime Unit (DCPCU), an operational police unit funded though members, saved £3.2 million of fraud and seized £1.84 million of assets (to September 2022). In the same period, they disrupted 16 organised crime groups, arrested over 100 suspected criminals and secured 25 convictions. The DCPCU Protect team's training continues to be in high demand.
- At UK Finance, our Best Practice Standards (BPS) platform allows victims and receiving banks in authorised push payments cases to share information quickly. Over 38,000 cases were loaded into the platform enabling funds to be frozen in real time, with £74.3 million of cases raised, and £12.2 million in funds repatriated (to end of August). On the indemnities platform (unauthorised fraud), £51 million of cases were raised, with £5.3 million repatriated.

## Economic Crime and Corporate Transparency Bill and Economic Crime Plan

Our engagement on the 2019-22 Economic Crime Plan led to a raft of primary legislation currently going through Parliament. UK Finance is now consulting with members to ensure that industry priorities are reflected in the second Plan. Several priority industry asks, including system prioritisation and public-private economic crime, have been included in the current draft.

## Economic Crime Plan

This involves working with public-private partners in the government, law enforcement and regulators to:

- Increase corporate transparency through a new Register of Overseas Entities owning UK property, inputting to government amendments and guidance on the Economic Crime (Enforcement and Transparency) Act;
- Secure new powers in draft legislation before Parliament, including private sector information sharing, verification checks by Companies House and the extension of asset recovery powers to apply to cryptoassets;
- Establish a suspended accounts project with the Home Office to help develop a model and legislative proposal;
- Input to joint threat assessments of other sectors bringing risk into the system, including Trust and Company Service Providers, supporting remediation activity by public sector partners.



# OUR PERSONAL FIGHT TO STOP FRAUD

Our **Take Five to Stop Fraud** campaign is a national campaign run by UK Finance that offers straightforward advice to help everyone protect themselves from fraud. The campaign aims to encourage customers to stop and think whenever they are asked for their money or information. It uses the phrase 'Stop, Challenge, Protect' to set out the steps consumers should take in any potentially fraudulent situation.

Through the campaign the industry delivers clear and consistent fraud prevention messaging to consumers and businesses. The campaign also works with a range of external partners including law enforcement, telecommunications and commercial, public and third sector organisations.

## During 2022, the Take Five campaign has:

- Shared crucial fraud prevention advice through the $1 million in advertising credits provided by tech platforms. This includes a collaboration with TikTok and Citizens Advice using well-known content creators to bring the message to a younger audience.
- Delivered a series of peaks of campaign activity, bringing together partnerships, influencer activity on social media, member toolkits, online advertising and press and media activity.



- Garnered national media attention with a series of news stories, including on impersonation scams, cost of living scams, romance fraud and scams targeting SMEs. The campaign has featured on Sky News, Channel Five, BBC News, The Sun, ITV, Daily Telegraph and many more.
- Launched the Take Five SME quiz in collaboration with Amazon which shows employees how to spot fraud and scams they could face at work.
- Worked with Tesco and Sainsburys to place Take Five messaging at their gift card stands in stores, raising awareness of gift card scams.
- Seen traffic to the Take Five website (https://www. takefive-stopfraud.org.uk) increase by 57 per cent since September 2021, with an average 118,000 views per month.

Research for the campaign shows that partnership activity with the financial services industry and branded social media activity have both had a significant impact on recognition and cut-through. Those consumers who have seen the campaign tend to be very positive about it its clarity and impact. Those who recognise the campaign are significantly more likely to have enacted all of the 'Stop, Challenge and Protect' behaviours than those who have not.

## Online Safety Bill

- Over the last year UK Finance has continued to work closely with the Online Harms Coalition to ensure the legislation includes provisions to tackle fraudulent scams committed through advertising. In addition, we focused on closing a perceived loophole in the drafting of the legislation, which allowed the duties of search engines to be less stringent than those for large social media platforms. The government amended this and thereby placed both parties on parity in terms of their duties to protect those online.
- The Online Safety Bill was put on hold over the summer and subject to intense debate over its future. UK Finance continued to raise the importance of the Online Safety Bill during the leadership election with politicians including the interim Chancellor Nadhim Zahawi and then to the new government. The Bill has now been brought back to Parliament and is awaiting its Committee Stage in the House of Lords.

## Fraud and Scams Industry Strategy

- UK Finance launched the Fraud & Scams Strategy in January 2022 to implement an industry-wide strategy to stop fraud at source. Its key objectives are to work with upstream stakeholders, such as the telecoms and technology sectors and government, and deliver solutions through the payment journey, consumer protection including consumer duty, information and intelligence sharing, and a topical advocacy agenda.
- The Fraud Ecosystem Delivery Committee (FEDC) has developed fraud policy and advocacy requirements to help shape the Economic Crime Plan and the Home Office ten-year fraud strategy. These have been documented into a playbook to facilitate alignment and consistent messaging when industry is engaging with government and regulatory bodies.

- We completed the design of an API between telecommunication networks and Financial Services, which allows banks to identify customers making payments while simultaneously being on a call, demonstrating a high correlation with a victim being socially engineered.
- We updated UK Finance's Best Practice Standards (BPS) Platform to include data identifying where fraud originates. Early results show that telecoms or social media platforms were the originators of 65 per cent of scams by value and 75 per cent by volume.
- We delivered an early Proof of Concept (POC) on Enhanced Fraud Data (EFD) sharing which showed that up to 20 per cent of historic scam cases in the POC time period could have been prevented with four additional fields in the payment message, potentially saving £26 million annualised across six firms.

### Third-party risk and cyber

- We launched the Supplier Assurance Framework helping firms to minimise the risk of onboarding suppliers.
- We renewed engagement between members and the Prudential Regulation Authority (PRA) following our position paper on CBEST (cyber testing) for the PRA.
- We fed into the work on the Future Operating Model for the Financial Sector Cyber Collaboration Centre, (FSCCC), formalising the role of UK Finance in supporting sector-wide collaboration.
- We implemented the operational resilience principles-based framework and scenario testing on best practice.

### Anti-Money Laundering

- Member engagement on anti-money laundering (AML) is delivered through our Money Laundering Advisory Panel (MLAP), which hosts public sector engagement, industry speakers and specific knowledge exchanges, a monthly update call, weekly updates and relevant blogs and webinars. Through UK Finance membership of the Joint Money Laundering Steering Group (JMLSG), MLAP has input into industry guidance on the Money Laundering Regulations, both before and after public consultation on proposed changes.
- Member engagement through our Small Firms Money Laundering Reporting Officer (MRLO) Group directed extensive cooperation with HMT, the FCA, the National Economic Crime Command (NECC) and other relevant bodies to advance solutions to identified concerns particularly regarding regulatory amendments and guidance requests. This has included working across departmental portfolios to secure engagement on a more consistent and value-adding approach to discrepancy reporting against different beneficial ownership registers.
- Our international agenda input focuses on direct engagement in the AML and financial crime work of the European Banking Federation and International Banking Federation, supporting member priorities for international harmonisation and more effective economic crime standards. This has included successfully influencing EU AML reform and recent updates to international standards of beneficial ownership transparency at the Financial Action Task Force (FATF).

### Anti-Bribery & Corruption and Anti-Tax Evasion Facilitation

- Member benchmarking on internal controls, third-party due diligence and threat identification was supported through the Anti-Bribery and Corruption and Anti-Tax Evasion Facilitation Panel (ABC&ATEF Panel). This work includes anonymised industry surveys, framework comparisons and thematic roundtable discussions, including emerging regulatory concerns and overseas ABC&ATEF regimes.
- During 2022 benchmarking products included a review of gifts and hospitality practices after the easing of pandemic restrictions, policies and procedures for sponsorship and donations, an industry-only paper on monitoring overseas associated persons and confidential benchmarking of framework approaches to insider threats. The Panel contributed to the Wolfsberg Group's review of its 2017 Anti-Bribery and Corruption Compliance Framework guidance.

### Information & Intelligence

UK Finance's Information & Intelligence Committee industry strategy looks to enable improved private-to-private and public-to private intelligence sharing, improving the use of current legislative powers and supporting the Economic Crime Plan for new powers for private sector information sharing. The Committee is supporting a pilot to establish if the sharing of targeted money laundering investigation-related information (private-to-private) by anti-money laundering regulated entities meets the balance test of legitimate interest and is lawful under General Data Protection Regulation (GDPR).

## CHAMPIONING A SUSTAINABLE AND JUST TRANSITION TO NET ZERO

We are on the cusp of redefining the way we look at investment in the economy; a venture that may even amount to a green industrial revolution. The banking and finance sector fully supports the government's goal of net zero UK emissions by 2050 and has a key role to play in the transition to a low-carbon and more sustainable economy. Lenders are putting climate responsibility at the core of their strategies, making net zero commitments and have already introduced a range of green finance options across their portfolios. Research has shown that for businesses it is banks who are currently the most significant influencer of their approach to incorporate sustainability.

In summer 2022, our Board approved its new sustainability priorities, agreeing that we should leverage the banking and finance sector's expertise to facilitate a just transition to a low-carbon economy, and advocate for a sustainability regulatory regime that delivers for the climate and enhances UK competitiveness.



### So what has the industry done?

**In 2022 we welcomed:**

- **The International Sustainability Standards Board (ISSB) exposure drafts:** These help the industry work towards a global standard which will provide structure and comparability for sustainability- and climate-related disclosures worldwide. Global standards are fundamental for whole-economy transformation, to avoid fragmented regulations that undermine our efforts to protect the environment. We call on all jurisdictions to align with this global baseline.
- **Transition Plan Taskforce (TPT) Disclosure Framework:** As banking and finance firms commit to sustainability goals, they need clear transition plans from their clients. TPT's gold standard guidance will be critical for accurate appraisal and appropriate financing of firms' plans.
- **UK government consultation on the ECO+ obligation:** As highlighted in our November report **Net Zero Homes: Time for a Reset,** greening the UK housing stock is critically important if the UK is to meet its net-zero target, and the mortgage industry is ready to play its part. We welcomed the government's November "Energy Company Obligation" proposals but called for far greater and comprehensive action to ensure that no household is left behind in the retrofit agenda. We also called on government to develop policies to address skills shortages in the eco-upgrade installation sector.

### And what has UK Finance done?

We have made great efforts to put sustainability at the heart of our work. Over the past year we have committed to many impactful and forward-thinking actions to promote sustainability in the banking and finance industry.

**Over 2022, we:**

- Responded to a range of government and international consultations on sustainability – receiving particular praise for our detailed input into International Sustainability Standards Board (ISSB) consultation, including supporting engagement by the UK Endorsement Board.
- Initiated an international sustainable finance regulation project with Deloitte, focusing on leading work on a global baseline for sustainability reporting to address the risk of regulatory divergence.
- Partnered with the Swiss Finance Council with the aim to reduce the likelihood of arduous EU due diligence requirements for non-EU firms.
- Drew on the expert input of the banks that took part in the Bank of England's 2021 climate stress test and submitted a paper on Integrating Climate Risk into the Prudential Capital Framework as part of the Bank's October "Climate and Capital" conference.

### Net Zero Homes

Our work on sustainability in 2022 has focused on moving from commitments to action following the COP26 climate conference in Glasgow. Core to this has been using the voice of the banking and finance sector to support clearer Net Zero policy development in the real economy – notably through the publication of our flagship report, **Net Zero Homes: Time for a Reset.** Launched in November, our report sets out key recommendations to government and devolved administrations for greening domestic buildings. It includes consideration and recommendations on how the banking and finance sector can support the Net Zero objective, ranging from supporting vulnerable people with the costs of energy efficiency improvements to providing grants and subsidies to upskill tradespeople.

The banking and finance sector is playing, and will continue to play, a key part in facilitating the transition to Net Zero. The transition must be done in a fair way that does not leave anyone behind, which is why we believe that in order to make real progress everyone must work together, led by clear, decisive and supportive government action.

We held a successful launch event for our report with over 100 stakeholders in attendance, featuring a speech from David Postings and stakeholders, including Lord Callanan, BEIS Minister for Business, Energy and Corporate Responsibility.


### COP27

Naturally, the year would not be complete without our attendance at, and support of, the COP27 conference in Sharm El Sheikh. To support the industry's efforts at COP27, we built an ambitious programme of engagement activity, participating in discussions organised by the Terra Carta Action Forum/Sustainable Markets Initiative (supported by King Charles); the French & UK Governments; Natwest, JP Morgan, BNP Paribas, McKinsey, KPMG, Oliver Wyman and the IIF.

We also hosted two separate panel events: a webinar on UK sustainability disclosure rules (with SMBC, KPMG, White & Case, the FCA) and an in-person panel.

## ADVOCATING FOR THE UK TO BE INTERNATIONALLY COMPETITIVE FOR FINANCIAL SERVICES

Over the past year, UK Finance has strived to enhance the competitiveness of the UK as a global hub for all financial services businesses; strengthening the ability of international firms to conduct cross-border activities into and out of the UK. We have promoted trade policy to reduce frictions and other costs our members face in using their UK operations in business they do outside the UK.

The UK's position outside of the single market has afforded the UK a unique opportunity to consider, optimise, and strengthen its rulebook for wholesale and capital markets. This has resulted in an ambitious reform agenda of policy and regulatory initiatives which aim to drive competitiveness, foster innovation, develop green and sustainable investments, and support the UK's position as a global leader in financial services. UK Finance is playing a key role in shaping this agenda.

### Wholesale Market Reforms

For those working in wholesale banking and capital markets policy, the continuation of the government's programme of regulatory reforms – via the Financial Services and Markets Bill and Edinburgh Reforms – has been a key area of focus. These initiatives aim to boost competition and drive efficiencies across the UK's capital markets.

UK Finance has centred itself at the heart of this debate and we have strengthened our position as a trusted partner and industry voice, demonstrated by government, HMT, and the regulators increasingly seeking our counsel on the development of UK markets policy throughout 2022.

Many of our key proposals and advocacy asks were reflected when the outcomes of the Wholesale Markets Review and Prospectus Regime Review were published in March. Following this, the introduction of the Financial Services and Markets Bill brought forward the breadth of changes to primary and secondary markets legislation for which UK Finance has advocated.

Alongside legislative changes, we have worked closely with the FCA as it has begun to amend its rulebook and guidance; successfully influencing the development of new rules in a number of areas. In particular, we led joint industry advocacy seeking a new UK post-trade transparency reporting model, which the FCA is taking forward. We also spearheaded advocacy, bringing together buy and sell-side stakeholders, on proposals for the framework needed for a UK consolidated tape.

We leveraged key relationships last year to shape the final recommendations published by the Austin Review of secondary capital raising rules, and undertook extensive advocacy in relation to the FCA's planned changes to the UK listing regime. Our Corporate Finance Committee continued to address policy developments relating to the UK's mergers and acquisitions (M&A) environment, collaborating closely with the Takeover Panel on a series of refinements to the Takeover Code.

This year, our Liquidity Managers Committee (LMC) begun developing industry guidelines for CREST outages and supported the Bank of England in developing the 'super-cycle' Liquidity Saving Mechanism as part of the Real-Time Gross Settlement (RTGS) renewal.

Looking beyond immediate regulatory reforms, we have also initiated work this year alongside EY to examine the competitiveness of the wider UK markets ecosystem and identify what else – such as softer, non-regulatory drivers – could be targeted to unlock additional potential and enhance the longer-term prospects of the sector.

### Tax

In 2022, we responded to a dynamic political situation that has seen the dialogue on tax policy oscillate. For our members, a proportionate tax and compliance burden for the banking and finance industry was critical. To this end we delivered evidence-based advocacy on bank taxation, via the 2022 Total Tax Contribution report, which includes a comparison of bank tax rates in London and other international financial centres, to support our dialogue with government about the impact of taxation on the UK's competitiveness.



### Trade in Financial Services

UK Finance engages on numerous policy issues internationally. These issues range from common global challenges, such as financing the transition to Net Zero and new forms of digital money, to global standard-setting on regulation of financial services (e.g. by the Basel Committee on Banking Supervision).

One priority for UK Finance last year was to promote for greater and easier access to target financial services markets outside the UK for our members. This included work to obtain better terms of access to the EU and US markets, our top priority markets, as well as to support the UK government's trade agenda. Last year we worked with TheCityUK, the City of London Corporation and other trade associations and stakeholders to maximise the impact of our work and minimise duplicative or redundant UK Finance activity. For example, in the case of the US-UK relationship, UK Finance participates in the "BAFA" coalition of interested UK and US trade associations and other representative bodies.

UK Finance engaged in the government's trade and market access work through the membership of our chairman, Bob Wigley, in the government's financial services and wider services Trade Advisory Groups and, at working level, through the membership in the government's Expert Trade Advisory Group.

We also engaged with decision-makers and other stakeholders outside the UK to raise the standing and recognition of UK Finance. Often this involved explaining UK financial services regulatory measures to non-UK policy makers and correcting external misconceptions of an UK deregulatory agenda.

## ENABLING RESPONSIBLE AND ETHICAL INNOVATION

### Open Banking and Finance

UK Finance is a thought leader on the future of open banking and have urged regulators to focus on commercial incentives for the whole system. We also provided strong advocacy on successor arrangements to the Open Banking Implementation Entity (OBIE) and worked on Open Finance to ensure fair and equitable funding and governance models.

We produced an 'Exploring Open Finance' paper and proposed to the Strategic Working Group that open banking data sharing propositions focus on combating fraud. We also worked closely with the DCMS on the development of the Trust Framework for digital identity. A re-usable digital identity removes customer pain points, reduces costs and offers revenue opportunity.

## New Digital Money

In the new digital money space, we have been advancing the conversation around CBDC designs, advocating for a regulatory framework for stablecoins and continuing to explore the regulatory opportunities for unbacked cryptoassets. Last year, we:

- Swiftly mobilised members, engaged regulators and acted as thought leaders on this emerging topic to influence the direction of travel via reports on the central bank digital currency.
- Teamed up with one of our associate members, KPMG to produce a report on regulating unbacked cryptoassets. The collapse of a major crypto exchange during the time we were writing the report emphasised the need for some regulatory oversight to reduce consumer harm. The existing regulatory framework, though not perfectly suited to these new innovations, is nevertheless a helpful starting point. This report will hopefully assist relevant stakeholders in marrying the UK's regulatory frameworks to the novel world of unbacked cryptoassets.
- Published a report focussed on both the way in which systems and processes may need to be designed to ensure that a CBDC continues to support the integrity of GBP.
- Issued a report which considered how different sustainable business models might function for firms if a CBDC is issued, and another on whether a digital currency would become a threat or opportunity to the payments industry.
- Responded to the Bank of England's discussion paper on new forms of digital money, together with the Asset and Liability Management Association (ALMA).
- Remained at the forefront of conversations around CBDC designs and advocated for a regulatory framework for stablecoins.
- Continued to engage with the EU and internationally on developments regarding payment systems, the Single Euro Payments Area (SEPA) and upcoming legislative proposals such as the PSD2 review.

## Data

In 2022 we published an AI fairness report and saw government proposals for AI regulation align with our sectoral, guidance-based model.

The Data Protection Bill largely factored in our concerns (EU adequacy, increased protections against abusive Data Subject Access Requests (DSARs), clarifying rules for crime prevention and automated decisioning).

We also developed a Trust Framework for digital identity, working closely with the Department for Digital, Culture, Media and Sport (DCMS). A re-usable digital identity removes customer pain points, reduces costs and offers revenue opportunity.

We advanced the development of Digital ID trust schemes, which allow for a standardised, market-driven approach to digital identity.

## Payments

The payment sector is expansive, increasingly diverse and plays a vital role in the UK economy. UK Finance works with its members and stakeholders to harness common standards, open technology and support a culture of collaboration.

The Financial Sector Crime Reduction Delivery Group (including the Security Minister and Economic Secretary to the Treasury) endorsed the need for a risk-based approach to payments and our argument that the industry needs to be able to extend payment processing timeframes in higher risk cases beyond the current D+1 limit in the Payment Services Regulations 2017.

## Issuing and Acceptance

- We have driven work with members to shape the final remedies of the Payment Systems Regulator's competition review into the card acquirer market. This included successfully advocating against costly and unnecessary point-of-sale interoperability and securing a longer implementation period for changes. We also managed a successful ramp up of Strong Customer Authentication requirements, ensuring e-commerce transactions were not unduly disrupted.
- Ensured member interests were represented in the development, design and funding of the New Payments Architecture (NPA). Successfully pushed for greater transparency from Pay.UK to ensure a fair opportunity for stakeholder groups to engage.

# MAKING THE CASE FOR PROPORTIONATE AND AGILE REGULATORY REFORM

Throughout 2022, as HM Treasury and regulatory authorities continued to progress a programme of reforms spanning primary and secondary markets, we reinforced our position as a leading industry voice on the evolution of UK capital markets policy, by deepening relationships amongst a growing network of stakeholders and providing increasingly regular swift counsel to government on matters under its review. This enabled us to directly influence policy and regulation for our members.

In short, UK Finance has played a key role in the development of the Financial Services and Markets Bill, the Economic Crime and Corporate Transparency Bill and the Online Safety Bill.

> **"I strongly welcome this Bill, as do important UK financial institutions, including the Investment Association, UK Finance, TheCityUK and Linklaters' Financial Regulation Group, to name but four."**
>
> **Lord Northbrook (Con)**



Our core message to the government was that we support these Bills and wish to see them enacted. UK Finance also provided detailed comments to HM Treasury ahead of the legislation being published, alongside consultation responses on the future regulatory framework, much of which was reflected in the Financial Services and Markets Bill.

UK Finance was praised in Parliament by John Glen MP and Damian Hinds MP for our work on the Financial Services and Markets Bill and Online Safety Bill respectively.

> **"I pay tribute to Miles Celic at TheCityUK, to David Postings at UK Finance, to Catherine McGuinness and now Chris Hayward at the City of London Corporation, and to Huw Evans and now Hannah Gurga at the Association of British Insurers. They were instrumental in the constructive dialogue with Treasury officials to ensure that the policy that we arrived at met the needs of this complex industry. I thank them for their engagement during my tenure."**
>
> **John Glen MP, Chief Secretary to the Treasury**

On the **Consumer Duty,** we have successfully advocated to secure the withdrawal of a potential private right of action and an increased implementation timeline ahead of implementation by 31 July 2023. The proposed parameters sought to capture SMEs with turnover of up to £25 million within the scope of the new regulation, however following our effective petitioning on behalf of the sector, the FCA agreed to limit this scope to within the existing regulatory perimeters.

## Prudential regime

We engaged with the UK authorities on a more proportionate 'strong but simple' prudential regulatory regime for smaller UK banks. We continue to advocate for its early implementation, aligned with Basel 3.1 and an increased £25 billion upper threshold. The threshold was increased from £15 to £20 billion following our appearance at a Treasury Select Committee hearing in the summer. In 2023 we will work to engage the PRA as the simpler capital and liquidity requirements are developed, as well as on a more proportionate approach for simpler, mid-tier firms.

Early in 2022 we were pleased that, after our encouragement, the PRA clarified its implementation of Basel 3.1 in the UK and that it intends to introduce this last phase of prudential regulation no earlier than the beginning of 2025. It means that 2023 will be another busy year as we engage on behalf of members with the regulator on its detailed and wide-ranging proposals. This is a once-in-a-generation opportunity to shape the UK's prudential regulatory architecture that will endure for many years.

Following our engagement, the Resolution Authority made some helpful changes to the pathway and timelines to issuing minimum requirement for own funds and eligible liabilities (MREL).

We continue to push for the modification, in the short term, and eventual removal of the ringfence regime which we believe to be superfluous now UK systemic banks have been deemed to be resolvable.

We undertook detailed discussions with the independent ring-fencing regime review team and called for significant operational changes so that the UK financial services sector can remain innovative and internationally competitive. The Bank of England acknowledged in 2022 that large UK banks are indeed resolvable, so we will continue to question the need for ringfencing in 2023.

## Corporate reporting, disclosure and governance

In 2022 we reiterated the potential in the banking industry for duplication of regulatory monitoring and sanctions arising from the government's 'Restoring trust in audit and corporate governance' proposals. The Financial Reporting Council acknowledged that the banking industry was ahead in terms of the government's proposals given it is already subject to comprehensive regulation and supervision, including the individual accountability regime. We remain concerned that the well-meaning proposals will reduce the UK attractiveness as a location for businesses and their directors, and so we will continue to emphasise this in the year ahead.

## LIBOR transition

Following the cessation of LIBOR publication at the beginning of 2022 – supported by the UK Finance steering and working groups and our membership of the Risk Free Rates (RFR) Working Group – synthetic LIBOR rates have been made available for tough legacy cases. UK Finance was appointed to deputy chair of RFR working group by BoE and FCA to support the ongoing transition of USD LIBOR to alternative rates.

# RESULTS AND PERFORMANCE

**Taking an evidence-based approach is at the heart of everything UK Finance does. A key performance indicator by which we measure our performance is member engagement, which is monitored through an annual survey of our members.**

The survey is conducted to ensure that our governance structure is providing a fair representation and voice to our diverse membership, and to find out if we are focused on the issues and outcomes that are a priority to our membership.

Our latest annual member survey was conducted in September 2022. We received 382 responses representing 193 different member organisations, with responses from 31 per cent of our members' CEOs. This wide-ranging response reflects the high level of engagement between UK Finance and our members and the time and attention that we devote to building and maintaining those relationships. Importantly, members have also given UK Finance an even higher rating against our key KPIs than in previous years.

We listened closely to our members, and this year's survey provided a wealth of feedback on issues such as overall member satisfaction, the standard of UK Finance's external engagement and how we communicate with our members. We are now drafting an action plan in response to this year's survey, to ensure that we respond to the feedback that our members have taken the time to provide. In this way, we hope to continually improve and refine the support and services that we deliver.

**UK Finance measures its financial performance using the key performance measures of net income, net surplus, balance sheet strength and longer-term financial resilience as measured by net asset position. In line with our plan, we reported a profit in 2022. As a result, our deficit has reduced by £2,411,271 in 2022 to stand at £4,122,232 at 31 December 2022, as we continue our trajectory towards eliminating the deficit in net assets in line with our longer-term financial plan.**

**99 per cent of members positively rate UK Finance's performance at building and maintaining effective relationships with regulators and policymakers.** This enables UK Finance to work effectively on behalf of our members, with 98 per cent providing positive feedback about our performance in advancing the interests of our members and stakeholders.

**UK Finance places a high priority on building strong working relationships with our members,** and this is reflected in overwhelmingly positive feedback about both the management of membership (97 per cent positive feedback) and the strength and depth of relationships between members and UK Finance (95 per cent positive feedback).

**UK Finance is rated as an effective organisation by 98 per cent of members,** and 98 per cent also state that UK Finance has a positive influence on relevant policy and regulatory issues.

**UK Finance's expertise and understanding of the issues facing our members is without question, with 98 per cent positive feedback.** Furthermore, 97 per cent of members feel that UK Finance is moving in a positive direction.

**Members value the events and training provided by UK Finance,** with 98 per cent saying that our events and conferences are interesting and relevant, and 99 per cent saying that our education and training courses are interesting and relevant.

**Members are satisfied with UK Finance's stakeholder engagement on their behalf,** with 97 per cent positive feedback regarding this new KPI.

## KEY MESSAGES TAKEN FROM THIS YEAR'S SURVEY INDICATE:

**98%** SATISFACTION
(2021: 98%)
Positive views

**97%** EFFECTIVENESS
(2021: 96%)
Positive views

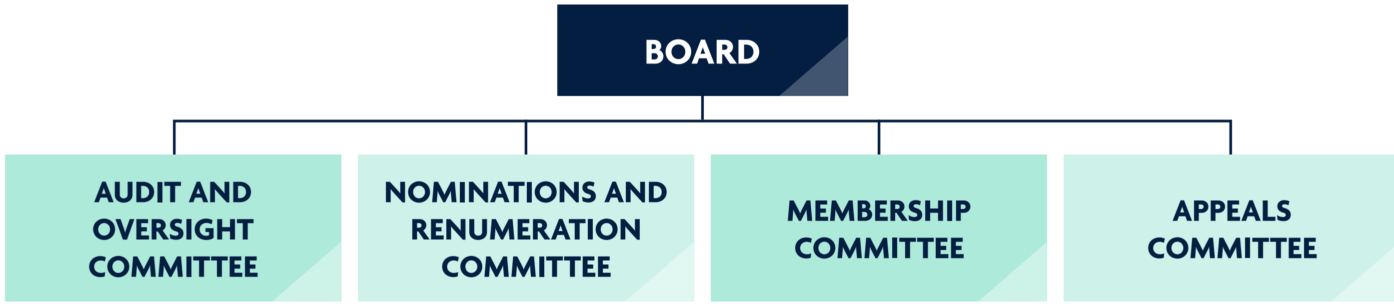
**97%** ENGAGEMENT
(2021: 96%)
Positive views

**96%** EXPERTISE
(2021: 95%)
Positive views



# CORPORATE GOVERNANCE

**Our corporate governance has been developed to ensure effective management of the organisation and its priorities, within budget and ensuring member value, in line with the performance expectations through the defined key performance indicators. The Board and the committees of the Board structure are as shown below.**




## BOARD

UK Finance's Board has been developed to ensure senior and fair representation across our membership. The Board leads key strategic, industry-wide issues at a senior level, with responsibility for the overall approach to promoting the industry's reputation and building customer trust. The Board focuses on the breadth of issues across the financial services sector including ethics, financial inclusion, financial fraud and economic crime, access to markets and diversity. UK Finance's Board ensures the consumer voice is represented via the inclusion of a strong, independent consumer champion.

The Board is the ultimate decision-making body of UK Finance, responsible for setting its strategy, culture, objectives, budget and brand. It has a responsibility to ensure that all members have their interests properly represented.

## COMMITTEES OF THE BOARD

### Audit and Oversight Committee

The Audit and Oversight Committee (A&OCo) has been established by the Board in line with good corporate governance to oversee aspects relating to the internal control, financial and risk management of the Company. A&OCo is an advisory body, reporting to the Board. It is comprised of five Non-Executive Board Directors with voting rights and attended by the CEO, COO and CFO, together with the External and Internal Auditors.

### Nominations and Remuneration Committee

The Committee leads and advises the Board on matters relating to Board governance, the approach to remuneration by the Company, appointments and remuneration of senior staff. It leads and advises the Board on the appointment of the Chair, CEO and Non-Executive Directors of UK Finance and overall process for appointments. It sets the remuneration policy for the Chair, CEO and all Senior Management (Managing Directors and Directors of UK Finance). It also reviews and advises on the Board's governance, composition and mechanisms to review the effectiveness of the Board in order to promote high standards of governance in line with established best practice where relevant.

### Membership Committee

The Membership Committee has been established, in line with our Articles of Association, to fairly consider applications for membership that could not be approved by the Membership Officer. It is also the formal mechanism to carry out procedures for the expulsion of members where appropriate. The Membership Committee has not yet been required to undertake those duties and instead has provided a forum to consider the relevance of UK Finance's membership criteria and approach to ensuring member value and satisfaction.

### Appeals Committee

The Appeals Committee has been established in line with our Articles of Association to deal with appeals against any decision made by the Membership Committee to reject applications for membership or to expel existing members. Since inception, this Committee has not yet met.

## EXECUTIVE COMMITTEE

The Executive Committee (ExCo) is the senior internal decision-making body. It leads and oversees the implementation of the vision, values, strategy and activities of UK Finance, including delivery of business plans and financial targets in line with the Board's strategic direction. It is responsible for managing the operations, performance, risk mitigation, resource allocation and financial position (including revenue generation) of the organisation within the strategic framework set by the Board, reporting to the Board as appropriate. Three Committees report to ExCo. These are Policy Committee, Operational Committee and the Project and Risk Oversight Forum:

- The role of the Policy Committee is to provide challenge, guidance and approval of policy initiatives to ensure that they best support members' desired outcomes and are prioritised and risk assessed appropriately.
- The role of the Operational Committee is to provide oversight of operational initiatives and programmes with cross business implications. The role includes monitoring compliance with operational policies, review of operational performance and corporate risk, and any issues relating to corporate statutory or regulatory compliance.
- The role of the Project and Risk Oversight Forum is to provide oversight, assess and discuss operational and organisational risks of project related activity undertaken or coordinated by UK Finance either internally or on behalf of members.



# RISK MANAGEMENT

## RISK MANAGEMENT FRAMEWORK

UK Finance actively manages risk, engaging with the Board and its Committees. The Board has overall responsibility for monitoring the effectiveness of UK Finance's internal control and receives regular reports from the Audit and Oversight Committee. The Board considers the strategic risk register, following its review by ExCo and the Audit and Oversight Committee. The Board is also responsible for setting the organisation's risk appetite, which is formally reviewed at least once a year.

The Audit and Oversight Committee advises the Board on the adequacy of UK Finance's risk management policies and procedures, the extent to which they are applied, and the reliability and integrity of assurances. Assurances are provided by the work of external and internal audit, regular reviews by the Risk & Assurance Director, annual assurance statements from Executive Committee members, and regular reports provided to the Audit and Oversight Committee on significant risks. ExCo regularly review, challenge and assess the risks faced by UK Finance in achieving its objectives.

To ensure that our risk management framework is effective and aligned to the requirements of the organisation, a review of our risk management framework is undertaken periodically by management and as part of the internal audit plan. The recommendations that emerge from the reviews form part of an ongoing programme to improve our risk management framework.

UK Finance adopts the three lines of defence model, the first line of defence is the operational procedures and controls within the business, second line oversight is provided by the Risk & Assurance team and the third line of defence is the independent assurance and audits completed by Internal Audit. UK Finance's risk management policies and procedures clearly define its approach to risk management, as well as identifying specific risk management roles, accountabilities and responsibilities across the organisation and the three lines of defence.

UK Finance's strategic risk register is reviewed quarterly by ExCo and the Audit and Oversight Committee, and regularly by the Board. During the past year, the strategic risk register has continued to evolve, to enable ExCo to focus on the key risks that might undermine the delivery of the organisation's objectives, and their mitigating actions.

Departmental level and project risks are reviewed by the Managing Directors, their senior management teams and the Risk & Assurance Director at least quarterly and escalated to the strategic risk register where appropriate.

Senior managers are responsible for ensuring that colleagues have the appropriate skill levels to identify, assess and manage risk in line with UK Finance's policy to embed and support a culture of well-managed risk. In support of senior managers' role in championing the risk process, the Risk & Assurance Director works across all areas of the organisation to promote and integrate the risk management process and to support and inform colleagues.

## PRINCIPAL RISKS AND UNCERTAINTIES

The table below details the principal risks and uncertainties that UK Finance is currently facing. UK Finance actively manages mitigating actions to control these and other risks.

| TYPE | PRINCIPAL RISK DESCRIPTION |
|---|---|
| **Financial viability** | We are unable to demonstrate ongoing financially viability to allow us to deliver on our strategy and obligations to members and other stakeholders in the long term. |
| **Loss of key members** | Individual key members leave, fully or from specific streams, if they believe that UK Finance is not able to deliver the value that they expect. |
| **Operational resilience breakdown (including information security)** | We lose trust of our members or other stakeholders because we have prominent operational failures caused by internal or critical third-party system failure, financial failure of critical third parties, or security breaches, of member-facing platforms or systems/services that are visible to other stakeholders. |
| **Loss of confidence and trust of a key public sector stakeholder** | A key public sector stakeholder stops engaging with us because they either do not see us as fulfilling our purpose or have lost confidence in us as an organisation. |
| **Loss of our ability to represent the full range of industry segments** | A significant segment of members leaves, fully or from specific streams, to join a rival trade association or to form a new one, or we fail to attract a new industry segment, either because they want greater focus on their business type or do not believe UK Finance can deliver the valuer for money that they expect. |
| **Competition law breach** | We or our members are found to have breached competition law through an initiative that we control. |
| **Conflicts of interest and unfair advantage** | We lose stakeholder trust because a member or associate is seen as conflicted, or unfairly advantaged in their engagement in an initiative we control. |

As the majority of income is paid in advance as annual membership fees by members, the Company is not materially exposed to credit, liquidity or cash flow risks and the Company, therefore, does not use financial instruments to manage financial risk.



# DIRECTORS' REPORT

**The directors present their report on the affairs of UK Finance Limited together with the financial statements and auditor's report, for the year ending on 31 December 2022.**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Details of the directors can be found in the Officers and professional advisers section on page 6-7.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' duties

Information regarding Directors' duties can be found in the Strategic report section on page 8.

### Directors' indemnities

The Company has qualifying third-party indemnity provisions for the benefit of its directors which were in force during the period and remain in force at the date of this report.

### Directors' confirmations

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Principal activity

UK Finance is a company limited by guarantee whose principal activity is to work for and on behalf of our members to promote a safe, transparent and innovative banking and finance industry.

### Political donations and political expenditure

UK Finance made no political donations and incurred no political expenditure in the year ending 31 December 2022 or for the year ending 31 December 2021.

## Sustainability

The work undertaken by UK Finance to help the banking and finance industry play a key role in supporting a sustainable future can be found in our Review of the business section on pages 10-23. UK Finance is also a Supporting Institution of the Net-Zero Banking Alliance, an industry-led, UN-convened body that brings together banks worldwide representing over 40 per cent of global banking assets, which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050.

In line with the Greenhouse Gas Protocol, we disclose our scope 1, 2 and 3 emissions:

- **Scope 1 –** direct emissions – covers things that we own that directly emit greenhouse gases into the atmosphere
- **Scope 2** encompasses emissions associated with our consumption of purchased electricity, gas and cooling
- **Scope 3** refers to emissions incurred by suppliers of goods and services provided to us, which happen at sources we don't own or control

The table below shows each category of 2022 and 2021 emissions in $tCO_2e$[1]:

| CATEGORY | 2022 | 2021 |
|---|---|---|
| **Scope 1 and 2 emissions** | | |
| Natural gas | 32.9 | 47.3 |
| Electricity | 12.3 | 51.2 |
| **Total scope 1 and 2 emissions** | 45.2 | 98.5 |
| **Scope 3 emissions** | | |
| Purchased goods and services | 2,767.0 | 6,290.0 |
| Employee commuting | 103.0 | 70.4 |
| Business travel and homeworking | 261.2 | 29.7 |
| Capital goods | 151.4 | 19.6 |
| Other | 8.2 | 9.2 |
| **Total scope 3 emissions** | 3,290.8 | 6,418.9 |
| **Total Scope 1, 2 and 3 emissions** | **3,336.0** | **6,517.4** |

The majority of our emissions (2022: 98.6 per cent; 2021: 98.5 per cent) fall under Scope 3. This reflects the nature of our business, as a UK-based trade association, with purchased goods and services representing the bulk of our emissions.

The total scope 1, 2 and 3 calculated emissions for 2022 are 49 per cent lower than 2021. The reduction is primarily due to updated emission factors, as well as more accurate categorisation of expenditure, rather than significant changes in the value of purchased good and services.

1. Tonnes of carbon dioxide equivalent



### Streamlined energy and carbon reporting

Pursuant to The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, our energy usage and greenhouse gas emissions for the years ended 31 December 2022 and 2021 were as follows:

| ITEM | 2022 | 2021 |
|---|---|---|
| **UK energy use (MWh) (1)** | 241.1 | 499.3 |
| **Associated greenhouse gas emissions (tCO2e)** [2] | 45.2 | 98.5 |
| **Intensity ratio: UK energy use (emissions in tCO2e per FTE staff)** [3] | 0.2 | 0.5 |
| **Total emissions (tCO2e)** [4] | 3,336.0 | 6,517.4 |
| **Intensity ratio – total emissions (emissions in tCO2e per FTE staff)** [3] | 15.3 | 32.3 |

[1] Purchased gas and electricity
[2] Scope 1 and 2 emissions: calculated using the Government conversion factors and management's best estimate of the suitable categories
[3] As a professional services body, UK Finance has used its staff numbers (full time equivalent) to demonstrate the intensity of energy use
[4] Scope 1, 2 and 3 emissions

UK Finance continually looks for ways to improve our energy efficiency and adopt sustainable practices. To this end, we have taken a number of actions at our Angel Court offices during 2022, including:

- To conserve energy PIR lighting control has been fully initiated on a 24/7 basis
- We have reduced the time the heating and air conditioning system is operational on weekdays
- Ensured that 100 per cent of the electricity supplied is renewable and has a zero emissions factor for Scope 2 reporting

To enable an informed approach to our emissions goals, we will use our 2022 carbon footprint as our base year for targets in 2023 and beyond.

## Going concern

As at the balance sheet date UK Finance has accumulated losses of £4.1m (2021: £6.5m), the reduction due to the reported surplus in 2022. In late 2022 the Board reviewed and approved a fully evaluated budget for 2023. It has also reviewed longer-term high-level projections which demonstrate that the underlying activities of UK Finance should be profitable over the course of the plan and generate ongoing surpluses to repay the liabilities and, over time, achieve a net asset position. The projections include an appropriate level of conservatism/prudence.

After considering the above, the directors are satisfied that the Company has sufficient liquidity to meet obligations as they fall due for at least one year from the date the financial statements are approved, and that UK Finance will continue to operate as a going concern.

Approved by the Board and signed on its behalf on 4 May 2023 by:

**David Postings**
**Director and Chief Executive Officer**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK FINANCE LIMITED

## OPINION

We have audited the financial statements of UK Finance Limited (the 'company') for the year ended 31 December 2022 which comprise the Profit and loss account, the Balance sheet, the Cashflow statement, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, reviewing tax computations and considering advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to General Data Protection Regulations. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities where relevant.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and challenging judgements and estimates applied.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **http://www.frc.org.uk/auditorsresponsibilities**
This description forms part of our auditor's report.

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**NICHOLAS SLADDEN (Senior Statutory Auditor)**
**For and on behalf of RSM UK Audit LLP, Statutory Auditor**

Chartered Accountants
25 Farringdon Street
London
EC4A 4AB



# PROFIT AND LOSS ACCOUNT

## For the year ended 31 December 2022

| | Note | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|---|
| Revenue | 3 | 51,187,649 | 48,633,651 |
| Cost of sales | | (2,553,143) | (4,793,607) |
| Gross profit | | 48,634,506 | 43,840,044 |
| Administrative expenses | 4 | (22,422,894) | (20,295,659) |
| Staff costs | 5 | (24,126,870) | (23,068,418) |
| Operating profit | | 2,084,742 | 475,967 |
| Finance costs | 7 | (121,120) | (156,234) |
| Profit before taxation | 8 | 1,963,622 | 319,733 |
| Taxation | 9 | 447,649 | 211,029 |
| **Profit for the year** | | **2,411,271** | **530,762** |

## Other comprehensive income

There were no items of other comprehensive income in the period (2021: Nil).

# BALANCE SHEET

**As at 31 December 2022**

| | Note | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 10 | 4,656,698 | 5,386,271 |
| Tangible assets | 11 | 2,667,356 | 2,923,410 |
| | | 7,324,054 | 8,309,681 |
| **Current assets** | | | |
| Debtors due within one year | 12 | 34,023,658 | 30,042,636 |
| Cash at bank | | 6,160,197 | 5,159,191 |
| | | 40,183,855 | 35,201,827 |
| **Total assets** | | 47,507,909 | 43,511,508 |
| **Liabilities** | | | |
| Creditors: amounts due within one year | 13 | (48,726,194) | (46,948,195) |
| **Total assets less current liabilities** | | (1,218,285) | (3,436,687) |
| Creditors: amounts due after more than one year | 14 | (1,965,647) | (2,243,816) |
| Provisions for liabilities | 15 | (938,300) | (853,000) |
| **Net assets** | | **(4,122,232)** | **(6,533,503)** |
| **Capital and reserves** | | | |
| Accumulated fund | 16 | **(4,122,232)** | **(6,533,503)** |

The financial statements of UK Finance Limited, registered number 10250295, were approved by the board of directors and authorised for issue on 4 May 2023. They were signed on its behalf by:

**David Postings**
**Director and Chief Executive Officer**



# CASH FLOW STATEMENT

**For the year ended 31 December 2022**

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit on ordinary activities before taxation | 1,963,622 | 319,733 |
| Taxation receipts | 147,649 | 211,029 |
| Depreciation and amortisation | 1,529,028 | 1,479,239 |
| Impairment of assets | - | 189,110 |
| Loss on disposal of tangible assets | 161,877 | - |
| Loss on disposal of intangible assets | 32,773 | - |
| Interest paid | 144,903 | 148,572 |
| Interest received | (60,119) | - |
| Increase in trade and other receivables | (3,681,021) | (6,113,392) |
| Increase in trade and other payables | 7,006,262 | 3,093,988 |
| **Net cash inflow/(outflow) from operating activities** | **7,244,974** | **(671,721)** |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (262,821) | (40,824) |
| Purchase of intangible assets | (389,930) | (636,570) |
| **Net cash outflow from investing activities** | **(652,751)** | **(677,394)** |
| **Cash flows from financing activities** | | |
| Interest paid | (144,903) | (148,572) |
| Interest received | 60,119 | - |
| Term loan repayments | (5,506,433) | (800,001) |
| **Net cash outflow from financing activities** | **(5,591,217)** | **(948,573)** |
| **Increase/(decrease) in cash and cash equivalents** | **1,001,006** | **(2,297,688)** |
| **Cash and cash equivalents at beginning of the year** | **5,159,191** | **7,456,879** |
| Increase/(decrease) in cash and cash equivalents | 1,001,006 | (2,297,688) |
| **Cash and cash equivalents at end of the year[1]** | **6,160,197** | **5,159,191** |

1. Included within Cash and cash equivalents at 31 December 2022 is an amount of £3,845,825 held on behalf of third parties. See Note 13

# STATEMENT OF CHANGES IN EQUITY

**For the year ended 31 December 2022**

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| At start of year | (6,533,503) | (7,064,265) |
| Profit for the year | 2,411,271 | 530,762 |
| **At end of year** | **(4,122,232)** | **(6,533,503)** |



# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 31 December 2022**

## 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

### a. General information and basis of accounting

UK Finance Limited is a private Company limited by guarantee incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 7.

This accounting period runs from 1 January 2022 to 31 December 2022, with comparatives for the year ended 31 December 2021.

The principal activities of the Company and the nature of the Company's operations are set out in the Strategic report on pages 8 to 28.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The functional currency of UK Finance is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

### b. Going concern

The financial statements have been prepared using the going concern basis of accounting. As at the balance sheet date UK Finance has accumulated losses of £4.1m (2021: £6.5m), this improvement being driven by the surplus in the year.

- UK Finance was created in response to the proposed consolidation set out by The Financial Services Trade Associations Review (FSTAR), which was set up by a steering committee of major UK banks and a building society. UK Finance also has the support of its other members who comprise a broad network of over 300 financial institutions.
- UK Finance has a revolving credit facility with Barclays Bank PLC in the amount of £5.0m, which was undrawn as at 31 December 2022.
- The Board has reviewed and approved a fully evaluated budget for 2023. The Board also reviewed and approved the projections which indicate that during 2024-26, the period covered by the longer-term plan, UK Finance is both profitable and cash generative, which should, over time, fully mitigate the net liabilities position and ultimately build up reserves.

After considering the above, the directors are satisfied that the Company has sufficient liquidity to meet obligations as they fall due for at least one year from the date the financial statements are approved, and that UK Finance will continue to operate as a going concern.

### c. Intangible fixed assets

#### Commercial business activities

The commercial business activities acquired from the legacy trade associations are capitalised and stated at cost less accumulated amortisation, over a period of ten years, and less impairment losses.

#### Brands and trademarks

Separately acquired brand and trademarks are included at cost and amortised in equal annual instalments over a period of five years which is their useful economic life. Provision is made for impairment.

#### Websites

Acquired websites are included at cost and amortised in equal annual instalments over a period of five years which is their useful economic life. Provision is made for impairment.

#### Fraud intelligence systems

Separately acquired fraud intelligence systems are included at cost and amortised in equal annual instalments over a period of five years which is their useful economic life. Provision is made for impairment.

### Amortisation

Amortisation is charged to the profit and loss on a straight-line basis over the lives of the intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives as follows:

| | |
|---|---|
| ▶ Acquisition of commercial business activities | 10 years |
| ▶ Brands and trademarks | 5 years |
| ▶ Websites | 5 years |
| ▶ Acquisition of fraud intelligence systems | 5 years |

## d. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|---|---|
| ▶ Leasehold land and buildings | 15 years |
| ▶ Fixtures and fittings | 5 years |
| ▶ Computer equipment | 3 years |

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

## e. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

## f. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. For the purpose of the Cash Flow Statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

## g. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

### Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of the cash-generating unit (CGU), the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.



### Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

## h. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Research and development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met. Any claim for tax credits are recognised after the submission of the claim to the relevant authorities.

## i. Revenue

Revenue is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Revenue from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

Where a contract has only been partially completed at the balance sheet date revenue represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

### j. Pro bono activities

Services received from associate members on a pro bono basis are recognised within commercial income at the fair value of the services provided as determined by the third parties, with an equivalent amount recognised within cost of sales.

### k. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

### l. Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

### m. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing the financial statements the Directors have made the following judgements:

- Determining whether there are indicators of impairments of the Company's intangible fixed assets. Factors taken into consideration in reaching a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability, and expected future performance of that unit.
- Determining whether there are indicators of issues with the recoverability of the Company's trade debtors. Factors taken into consideration in reaching a decision include the economic viability and expected future financial performance of the customer and valuation of assets.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, are those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial are discussed below.

### Impairment of intangible assets

The Company determines the recoverable amount of its intangible assets by reference to their value-in-use, assessed using discounted cash flow models. There is judgement in determining the assumptions that are considered to be reasonable, in particular the timing of cash flows and the discount rate to be applied.



## 3. REVENUE

An analysis of revenue by class of business is as follows:

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| Subscriptions invoiced to members | 35,802,007 | 33,346,162 |
| Commercial income | 4,407,589 | 3,998,145 |
| Pro bono services | 1,640,578 | 4,122,593 |
| Other income | 9,337,475 | 7,166,751 |
| | **51,187,649** | **48,633,651** |

Pro bono services relate to activities received from associate members. Cost of sales has been grossed up by an equivalent amount. Other income principally represents charges to members for activities that fall outside of the core membership offerings.

## 4. ADMINISTRATIVE EXPENSES

Administrative expenses comprise of the following:

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| Professional & consultancy | 6,148,567 | 5,340,213 |
| Occupancy | 2,621,757 | 2,850,436 |
| Data management & research cost | 4,644,458 | 4,551,253 |
| General & admin expenses | 4,605,137 | 3,673,289 |
| Information technology | 2,777,534 | 2,555,762 |
| Member & external relations cost | 772,461 | 580,316 |
| Publications & subscriptions to other trading bodies | 509,028 | 636,653 |
| Travel & expenses | 343,952 | 107,737 |
| | **22,422,894** | **20,295,659** |

## 5. STAFF COSTS AND NUMBERS

Staff costs, including directors' renumeration, were as follows:

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| Salaries and benefits | 19,685,545 | 18,945,038 |
| Social security costs | 2,439,677 | 2,235,627 |
| Pension costs | 2,001,648 | 1,887,753 |
| | **24,126,870** | **23,068,418** |

The average monthly number of employees, including directors, during the year was as follows:

| | 31-Dec-22 | 31-Dec-21 |
|---|---|---|
| Administrative staff | 227 | 199 |

# 6. DIRECTORS' REMUNERATION

The Directors' renumeration for the year was as follows:

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| Remuneration (including benefits in kind) | 1,468,500 | 1,431,442 |

The remuneration of the highest paid director was £1,081,500 (2021: £1,035,000).

# 7. FINANCE COSTS

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| Loan interest payable | 121,120 | 156,234 |

# 8. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging:

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| Operating lease rentals in respect of land and buildings | 1,543,893 | 1,800,613 |
| Depreciation of tangible assets | 442,298 | 467,203 |
| Amortisation of intangible assets | 1,086,730 | 1,012,035 |
| Impairment losses on intangible assets | - | 189,110 |
| Losses on disposal of fixed assets | 194,650 | - |
| Bad and doubtful debt | 48 | 32,276 |
| Foreign exchange loss | 4,566 | 4,655 |
| Auditor's remuneration: | | |
| - Statutory audit fees | 47,000 | 42,000 |
| - Tax compliance services | 9,400 | 8,400 |
| - Tax advisory services | 20,050 | 60,685 |



# 9. TAXATION

The tax credit comprises:

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| Current tax on profits for the year | - | - |
| Adjustments in respect of prior periods | (147,649) | (211,029) |
| **Total current tax** | (147,649) | (211,029) |
| Deferred tax credit | (300,000) | - |
| **Total deferred tax** | (300,000) | - |
| **Total tax credit** | (447,649) | (211,029) |

The differences between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | | |
|---|---|---|
| **Profit before tax** | 1,963,622 | 319,733 |
| Tax on profit at standard UK corporation tax rate of 19% (2021: 19%) | 373,088 | 60,749 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 18,041 | 13,912 |
| Depreciation in excess of capital allowances | 127,728 | 10,753 |
| Short term timing differences | (1,837) | 5,446 |
| Tax losses surrendered for R&D credits | (147,649) | (211,029) |
| Profit on disposals of fixed assets | (570) | - |
| Deferred tax movement | (300,000) | - |
| Utilisation of tax losses not previously recognised | (516,450) | (90,860) |
| Total tax credit for year | (447,649) | (211,029) |

## 10. INTANGIBLE FIXED ASSETS

| | Commercial business activities £ | Secure information systems £ | Other £ | Total £ |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 31 December 2021 | 8,307,800 | 1,829,766 | 561,610 | 10,699,176 |
| Additions | - | 276,470 | 113,460 | 389,930 |
| Disposals | - | (32,773) | - | (32,773) |
| At 31 December 2022 | 8,307,800 | 2,073,463 | 675,070 | 11,056,333 |
| **Amortisation** | | | | |
| At 31 December 2021 | 4,598,783 | 502,722 | 211,400 | 5,312,905 |
| Charge for the year | 674,367 | 340,637 | 71,726 | 1,086,730 |
| At 31 December 2022 | 5,273,150 | 843,359 | 283,126 | 6,399,635 |
| **Carrying amount** | | | | |
| At 31 December 2021 | 3,709,017 | 1,327,044 | 350,210 | 5,386,271 |
| At 31 December 2022 | 3,034,650 | 1,230,104 | 391,944 | 4,656,698 |

Commercial business activities comprise the associate membership, events, training and other commercial revenue streams from the legacy trade associations. Secure information systems include fraud intelligence systems and other secure information sharing platforms. Other includes new IT projects that are not yet live. Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated as a realised loss.

Intangible assets are assessed annually and impaired where their determined recoverable amount is less than their book value. Within commercial business activities, the cash flows of certain revenue streams are separately identifiable and have been tested for impairment as individual Cash Generating Units (CGUs). The value in use methodology has been used to estimate the recoverable amount, as fair value less cost to sell cannot be readily determined. Valuation models are based on the current budget and the longer-term financial plan. Management has determined an appropriate discount rate for each CGU via an analysis of the relevant Weighted Average Cost of Capital (WACC) and this discount rate is used in calculating the present value of cash flows over the estimated life of the asset.

Following this assessment, no impairment was considered necessary.



## 11. TANGIBLE FIXED ASSETS

| | Leasehold improvements £ | Fixtures & Fittings £ | IT equipment & software £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 31 December 2021 | 3,167,459 | 1,847,638 | 1,311,075 | 6,326,172 |
| Additions | - | 262,820 | - | 262,820 |
| Other adjustment | (306,546) | 85,300 | - | (221,246) |
| At 31 December 2022 | 2,860,913 | 2,195,758 | 1,311,075 | 6,367,746 |
| **Depreciation** | | | | |
| At 31 December 2021 | 988,153 | 1,109,690 | 1,304,919 | 3,402,762 |
| Charge for the year | 219,235 | 216,906 | 6,156 | 442,297 |
| Other adjustment | (144,669) | - | - | (144,669) |
| At 31 December 2022 | 1,062,719 | 1,326,596 | 1,311,075 | 3,700,390 |
| **Carrying amount** | | | | |
| At 31 December 2021 | 2,179,306 | 737,948 | 6,156 | 2,923,410 |
| At 31 December 2022 | 1,798,194 | 869,162 | - | 2,667,356 |

Fixtures & Fittings include £938,300 relating to the dilapidations assessment and included as part of the cost of that asset in accordance with FRS 102.17.10. The corresponding liability is included within provisions for liabilities (Note 15). The increase in the dilapidations assessment in 2022, and the related depreciation charge, is reflected within the 'Other adjustment' category.

Following an internal review of the fixed asset register by management, the carrying value of leasehold improvements was reduced by £161,877 which is also reflected within the 'Other adjustment' category.

## 12. DEBTORS

| | 31-Dec-22 £ | 31-Dec-21 £ |
|---|---|---|
| Trade debtors | 31,518,202 | 28,760,295 |
| Prepayments and accrued income | 2,204,976 | 1,281,203 |
| Deferred tax asset | 300,000 | - |
| Other debtors | 480 | 1,138 |
| | **34,023,658** | **30,042,636** |

## 13. CREDITORS: AMOUNTS DUE WITHIN ONE YEAR

| | 31-Dec-22 | 31-Dec-21 |
|---|---|---|
| | £ | £ |
| Trade creditors | 1,004,274 | 1,862,653 |
| Other taxation and social security | 995,103 | 1,348,072 |
| Accruals | 7,477,598 | 4,916,803 |
| Deferred income | 33,785,171 | 32,378,065 |
| Term loan | - | 5,506,434 |
| Other creditors | 5,464,048 | 936,168 |
| | **48,726,194** | **46,948,195** |

Deferred income principally relates to annual memberships invoiced in advance.

UK Finance had a sterling term loan facility with Barclays Bank PLC for £7,750,000, secured with a fixed and floating charge over the assets of the Company, which was fully repaid on 30 September 2022. The interest rate from 1 January 2022 until 30 September 2022 was the Bank of England rate plus a credit adjustment spread and the margin of 1.75% per annum.

During the year £6.4m was received from Link Scheme Limited to execute payments in connection with the establishment of banking hubs, prior to the entity responsible for the operation of these hubs being incorporated. Due to the nature of the agreement with Link Scheme Limited, no income or expenditure has been recognised in the profit and loss account in relation to the funding and costs paid by UK Finance. At 31 December 2022, £3,845,825 of this funding remained unspent and is reflected in Other Creditors with the corresponding balance held within cash at bank. Subsequent to the year-end, the entity responsible for the operation of these hubs, Cash Action UK Limited ("CAUKL"), was incorporated and the residual cash received from Link Scheme Limited was transferred to CAUKL. CAUKL is not affiliated with UK Finance and is operationally independent.

## 14. CREDITORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

| | 31-Dec-22 | 31-Dec-21 |
|---|---|---|
| | £ | £ |
| Other long term creditors | 1,965,647 | 2,243,816 |
| | **1,965,647** | **2,243,816** |

Other long-term creditors comprise deferred rent on 1 Angel Court.



## 15. PROVISIONS FOR LIABILITIES

| | Dilapidations | Total |
|---|---|---|
| | £ | £ |
| At 31 December 2021 | 853,000 | 853,000 |
| Provided in the year | 85,300 | 85,300 |
| At 31 December 2022 | **938,300** | **938,300** |
| | | |
| At 31 December 2020 | 1,065,000 | 1,065,000 |
| Provided in the year | 76,000 | 76,000 |
| Revalued in the year | (288,000) | (288,000) |
| At 31 December 2021 | **853,000** | **853,000** |

As part of the Company's property leasing arrangements there is an obligation to return property to an agreed condition at the end of the lease. The estimated the cost of returning the property to the agreed condition is shown above. This estimate is reflective of an external valuation at 31 December 2021 which was conducted in March 2022, with a further 10% uplift applied by management in 2022 to reflect the inflationary pressures on labour and material costs. In accordance with FRS 102.17.10, where a provision is recognised that relates to a specific asset, it is treated as a decommissioning cost and also included as part of the cost of that asset.

## 16. ACCUMULATED FUND

As the Company is limited by guarantee, the accumulated fund represents cumulative losses and total recognised gains or losses made by the Company.

## 17. OPERATING LEASE COMMITMENTS

At the reporting end date, the Company had outstanding commitments for the future minimum lease payments under non-cancellable operating leases as follows:

| | Land and buildings 31-Dec-22 | Land and buildings 31-Dec-21 |
|---|---|---|
| **Operating leases which expire:** | £ | £ |
| Within one year | 1,477,350 | 1,464,748 |
| Within two to five years | 5,909,400 | 5,863,006 |
| After five years | 6,385,704 | 7,801,289 |
| | **13,772,454** | **15,129,043** |