UK Finance

Budget 2025

UK Finance submission to HM Treasury

November | 2025

Executive Summary

Financial services are one of the UK's greatest economic assets – powering growth, investment, jobs and tax revenues – and the Budget must enable, not hinder, this valuable contribution.

We welcome the government's recognition of our sector's vital role as an engine of growth, investment and innovation, and strongly support its efforts to harness these strengths through the Leeds Reforms and Financial Services Growth and Competitiveness Strategy (FSGCS).

To ensure the government's ambitions for our sector and the wider economy are realised, its tax policies must pull in the same direction. But as our latest Total Tax Contribution report shows, banks operating in the UK face a relatively high tax burden: the total tax rate for a model corporate and investment bank in the UK is 46.4%, notably higher than Frankfurt (38.9%), Dublin (28.9%), and New York (27.9%).[1]

We recognise the fiscal pressures facing government. But raising taxes on the sector further would be inconsistent with its financial services reform agenda, undermining investor confidence and deterring the very investment needed to help restore the public finances. UK Finance therefore cautions against any increase in bank-specific taxes.

Instead, by accelerating delivery of the Leeds Reforms and FSGCS, the government would send an immediate and powerful signal that the UK is a confident, competitive and investment-friendly economy, which would help to encourage capital inflows today while laying the groundwork for sustainable growth over the medium and long-term.

Building on our Plan for Growth,[2] UK Finance urges the government to focus on three key priorities:

1. Creating a pro-growth operating environment, including through:
- Further regulatory reform to better position our sector to support the wider economy, including swift reform of the Financial Ombudsman Service so it no longer acts as a quasi-regulator.
- A clear plan, following the Financial Policy Committee's review of bank capital, to ensure the framework strikes a more optimal balance between resilience, growth and competitiveness.
- Making financial services central to the UK's trade policy, including by resetting the UK-EU relationship and deepening US cooperation through the Transatlantic Taskforce.

2. Ensuring our financial system is fit for the future, including by:
- Supporting retail payments modernisation, in line with the National Payments Vision, through a new Payments Forward Plan, and operationalising an industry-led delivery body by March 2026.
- Accelerating capital market reforms – including digitising shares and issuing a digital gilt – to capture the benefits on emerging digital technologies.
- Retaining the annual tax-free ISA allowance of £20,000 and instead encouraging retail investment through measures such as better provision of financial education and advice.
- Ensuring the upcoming Fraud Strategy requires technology and telecommunication firms to take greater responsibility for preventing fraud.

3. Unlocking financial services for consumers, businesses and society, including through:
- A government-led national campaign to raise awareness among SMEs of the new Business Growth Service and wider support available to enable their expansion and future investment.
- A coordinated approach to improving payment practices to protect SME cash flow.
- Digitising homebuying to deliver faster, more efficient transactions and boost growth.

Taken together, these steps – and the wider reforms proposed in our Budget submission – will help unlock the growth-driving potential of UK financial services: supporting jobs, investment and innovation across the country, while delivering strong, sustainable tax revenues.

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[1] 2025 Total Tax Contribution of the UK banking sector, UK Finance and PwC, October 2025
[2] Plan for Growth, UK Finance, March 2025

The importance of financial services

A strong economy – and a globally competitive UK – needs strong and resilient financial services firms that enable people to save and invest, provide credit to businesses, move money swiftly and safely, and channel capital across the economy, thereby powering growth right across the country.

Our sector already makes a major contribution to the UK's economy:

- **Powering growth:** accounts for 9% of economic output – c.£209 billion in 2023[3]
- **Supporting jobs:** employs 1.2 million people, with two-thirds outside of London[4]
- **Driving exports:** world's largest net exporter of financial services – £92 billion annually[5]
- **Supporting homeowners:** over £1.7 trillion of residential mortgage loans outstanding[6]
- **Financing SMEs:** stock of SME lending loans and overdrafts of £180 billion[7]

We share HM Treasury's view that the best way to strengthen the public finances is through sustained economic growth. The Budget is an opportunity to support this goal by accelerating the Leeds Reforms agenda and delivering an aligned tax regime for financial services.

Tax and financial services policies should align

The financial services sector provides essential credit to homebuyers and SMEs; supports mid-sized firms and multinationals with risk management, tailored investment strategies and other sophisticated services; facilitates investment across the economy through its capital markets activities; and enables tens of billions of payments each year.

The UK's financial services sector is also a gateway to global markets and therefore international competitiveness is central to the sector's ability to attract investment and support UK growth.

Considering this vital role, the government's Modern Industrial Strategy identifies financial services as one of the UK's eight high-growth sectors.[8]

The accompanying Financial Services Growth and Competitiveness Strategy (FSGCS) sets an ambition for the UK to *'once again be the global location of choice for financial services firms to invest, innovate, grow, and sell their services throughout the UK and to the world'*.[9]

As the Chancellor said when launching the Leeds Reforms, which will deliver aspects of the FSCGS, *"we're providing certainty for banks operating in the UK, and ensuring that UK banks have the ability to compete internationally and drive economic growth"*.[10]

Meeting these objectives for our sector requires a carefully calibrated approach to taxation as well as regulation and global leadership, in a competitive international economy where capital is highly mobile.

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[3] Financial Services Growth and Competitiveness Strategy, HM Treasury, 15 July 2025
[4] Ibid.
[5] Ibid.
[6] FCA Mortgage lending statistics - June 2025
[7] Bank of England Bankstats Tables
[8] UK's Modern Industrial Strategy, UK Government, 23 June 2025
[9] Financial Services Growth and Competitiveness Strategy, HM Treasury, 15 July 2025
[10] Comments from Chancellor of the Exchequer at launch of Leeds Reforms, 15 July 2025

Significant tax contribution

Over the past five years, banks operating in the UK have contributed on average more than £40bn annually in taxes. This underlines the sector's crucial role as a stable and significant source of revenue for the public finances, which is illustrated clearly by PwC's latest Total Tax Contribution of the Banking Sector report for UK Finance:[11]

- **Total tax contribution (TTC):** In 2024/5, the TTC of the UK banking sector was £43.3 billion, equivalent to 4.3% of all government tax receipts.[12] This is around 1.5 times the Department for Transport's annual budget, and almost three times that of the Department for Energy Security and Net Zero,[13] and twice the amount spent on housing and community amenities.[14]

- **Employment taxes:** A significant share of banks' TTC comes through employment: banks paid £24.1 billion in employment taxes. This amounts to 5.5% of total government employment tax receipts, reflecting the sector's role as a major UK employer of skilled jobs.[15]

- **Profit and balance sheet taxes:** On top of standard Corporation Tax, banks pay two additional sector-specific taxes: the Bank Corporation Tax Surcharge and the Bank Levy. Together, these three taxes raised more than £11.1 billion[16] in 2024/25, representing 11.4% of total receipts from all corporate taxes.[17]

- **Irrecoverable VAT:** In addition, irrecoverable VAT payments amounted to £4.3bn in 2024/5 – 18.6% of total taxes borne by banks. Driven by rising investment in IT and infrastructure, these VAT payments have increased operating costs and reduced pretax profits for banks.

Given the banking sector's consistently material contribution to UK tax revenues, it follows that maintaining a predictable and internationally competitive tax environment is not a concession to our sector – it is essential to sustaining this revenue stream over time.

Banks in the UK face a high tax rate

The UK's total tax rate (TTR) for a model corporate and investment bank is already high compared with major international financial centres.[18] This is at odds with the government's ambition to make the UK the most attractive global hub for financial services investment and growth.

Total Tax Rate: international comparison

London's TTR at 46.4% continues to remain well above Amsterdam (42.2%), Frankfurt (38.9%), Dublin (28.9%) and New York (27.9%). The TTR of banks operating in London is up 0.6 percentage points on last year, driven by increased employer national insurance contributions (NICs) from April 2025.

While the European TTRs increased marginally due to uplifts in social security thresholds, they remain significantly below London, largely due to the suspension of the EU's Single Resolution Fund[19] contributions, in contrast to the permanence of the UK bank levy.

Looking ahead to 2026, London is the only location projected to increase its TTR, rising slightly to 46.6%, as the full extent of the increase to employer NICs feeds through.

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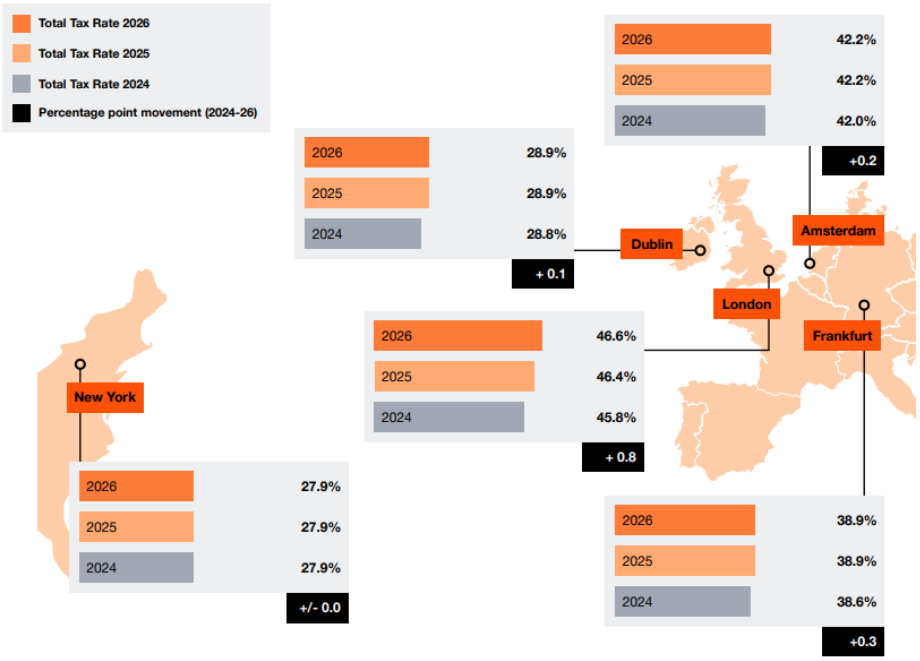
[11] 2025 Total Tax Contribution of the UK banking sector, UK Finance and PwC, October 2025
[12] Ibid.
[13] Public Expenditure Statistical Analyses 2025, UK Government, July 2025
[14] Public Spending Statistics: July 2025, UK Government, 17 July 2025
[15] 2025 Total Tax Contribution of the UK banking sector, UK Finance and PwC, October 2025
[16] PAYE and corporate tax receipts from the banking sector: 2025 - GOV.UK
[17] Corporation Tax statistics commentary 2025 - GOV.UK
[18] 2025 Total Tax Contribution of the UK banking sector, UK Finance and PwC, October 2025
[19] No additional SRF bank levies needed for 2025; Fund continues to meet target level, Single Resolution Board, 10 February 2025



Sector-specific taxes: international comparison

PwC has researched bank levies and surcharges that apply across jurisdictions to assess how the UK regime compares to global peers. Many major financial services jurisdictions, notably the US and Switzerland, and newer high-growth hubs such as Singapore and the United Arab Emirates that are actively competing to attract banking business, do not impose either bank tax surcharges or bank levies.

Meanwhile, several jurisdictions that do apply such taxes are actively scaling them back. Notably, the EU has suspended contributions to the Single Resolution Fund (SRF), and Portugal's solidarity levy was declared unconstitutional in June 2025, with banks now eligible for refunds.

The design of such taxes in other countries where they exist often differs from the UK's – with narrower scopes, deductibility for corporation tax purposes and, in some cases, temporary application rather than being a permanent fixture of the tax landscape. In contrast, the UK's current approach combines rigidity with some of the highest statutory rates among peers.

Among ten jurisdictions reviewed, only the UK, Canada, and Spain apply both a profit surcharge and a balance sheet levy. However, Canada's levy is offset against corporate income tax and often results in no additional liability. Spain's levy applies only to deposits, making its scope far narrower than the UK's.

The UK's current mix of corporation tax, surcharge, levy and irrecoverable VAT already places banks at a disadvantage relative to peers in other jurisdictions, in what is an inherently international marketplace. Increasing taxes on the sector further would harm the UK's investment case and risk constraining the future growth of the taxable base.

Risk of raising sector specific taxes further

PwC analysis of value distributed by banks participating in the TTC survey[20] shows that the government is already a significant beneficiary of banks' activity. Currently, 35.2% of the proceeds of banks' activity

[20] 2025 Total Tax Contribution of the UK banking sector, UK Finance and PwC, October 2025

goes to the government in taxes, compared to the amount going to employees as wages and salaries after employment taxes (25.7%).

The amount that remains as profit after tax (39.1%) is paid out to shareholders – including the pension funds that millions of people around the country rely upon – or reinvested back into the business, which is crucial to banks' ability to invest in their growth-driving capabilities, including new technologies and innovation.

Raising what are already high sector-specific taxes would run counter to the government's aim of supporting the financial services sector and make the UK less competitive internationally, potentially driving capital and investment to other jurisdictions. In particular, it would:

- **Squeeze investment in growth:** higher taxes would reduce banks' ability to reinvest in innovation, develop new products and services, and build the clean energy and digital infrastructure needed to support households and businesses.

- **Impact jobs and skills:** banks would also face tougher choices on sustaining and growing their UK workforce, which currently includes some of the country's highest-skilled jobs in every region and contributes significantly to overall tax receipts.

- **Weaken household and business outcomes:** reduced capacity for reinvestment in growth-driving activities will hamper service improvements for households and SMEs, and dividends relied upon by millions of pension savers.

As our analysis shows, the UK is an outlier in having both a surcharge and a bank levy, with the levy model being high, permanent and non-deductible for corporate income tax purposes. While fully recognising the fiscal pressures facing the government, there is now a compelling case to begin charting a path towards a simpler, more competitive regime – signalling stability and confidence to investors. We therefore continue to believe that the surcharge and the levy should be phased out over time.

In summary, because banks already face a heavy and complex tax burden – and because their capacity to invest, lend and innovate is sensitive to tax expectations – we are concerned that further increases in bank-specific taxes would risk constraining the sector's footprint, undermining the very tax base the government seeks to protect and grow.

Consequences of changing reserve remuneration

We are also concerned about recent proposals, including from the Institute for Public Policy Research, to impose a new levy on the interest that banks earn on their central bank reserves, or to halt reserve remuneration altogether. An additional tax on the banking sector – which either of these proposals would amount to – would be inconsistent with the government's efforts to foster a strong financial services sector.

Interest paid on reserves is not a 'government subsidy of commercial banks', as proponents of these reforms suggest. Banks must fund reserves they place at the Bank of England, so it is not 'free money'. Every pound held by a commercial bank at the Bank matches a customer deposit or other funding source that banks must pay for – so in practice, much of the interest paid on reserves is passed through.

Bank of England Governor Andrew Bailey has expressed concerns publicly[21] about moving away from the current reserve remuneration model, which he argues is vital for the Bank to meet its monetary and financial stability objectives. Cutting or eliminating remuneration could cause banks to reduce their reserve holdings – which would impair the Bank's ability to conduct monetary policy effectively. It could also cause banks to reassess the pricing of products and services provided to end consumers.

[21] See Andrew Bailey's correspondence with Treasury Select Committee Chair Meg Hillier MP here and here

Importance of modernising financial services VAT

The financial services VAT exemptions have historically provided both a pragmatic solution to the technical difficulties of taxing financial intermediation and helped avoid adding additional costs to consumer credit and retail finance.

While the rationale for these VAT exemptions endure to this day, the UK's financial services VAT regime is nonetheless overdue for reform. Built on outdated EU legislation that has not kept pace with evolving business models, globalisation, and technological innovation, the current framework is increasingly misaligned with the realities of modern financial services and the FSGCS.

This misalignment fuels legal uncertainty, frequent disputes, and policy ambiguity. This is particularly true in relation to the scope of exemption for fund management. Apparent policy shifts, occurring without legislative change, are adding unhelpful uncertainty for firms seeking to plan and invest with confidence.

The UK's VAT regime is characterised by inertia, which is challenging to reconcile with a modern financial landscape. Without modernization, the VAT system remains a barrier to competitiveness and growth. While still a member of the EU, the UK was restricted in the extent to which it could reform the UK VAT system. Outside of the EU, the UK can modernise the VAT regime to fit with the government's objectives.

The government should therefore actively consider options to enhance the competitiveness of the UK, including by examining international examples that could be replicated here.[22] However, until such time as there has been a review to modernise the regime, it is essential that tax policy and its application provide a stable and predictable environment.

A consistent approach to VAT treatment – aligned with established practice and clearly communicated – will help foster investment, reduce compliance costs, and enhance the UK's competitiveness in financial services.

The challenges of tax compliance overload

The government's Regulatory Action Plan rightly seeks to cut the cost of regulatory compliance by 25% during the current parliament. However, the tax compliance burden for the financial sector continues to grow.

Draft legislation on 'new and improved third-party data' – relating specifically to HMRC's bulk gathering of financial account information and cards sales data – imposes new, resource-intensive obligations on banks, building societies and merchant acquirers.

These changes, and others targeting promoters of marketed tax avoidance, add to an already heavy programme of tax changes impacting financial services institutions.

Each layer of additional compliance carries incremental costs, and potentially material penalties, adding directly to the costs and risks of doing business in the UK. The government should not compound the tax compliance burden by layering further measures onto our sector.

Rather than layering more on more tax changes, the more sustainable path is gradual tax simplification and stability, which better supports long-term investment and revenue growth.

[22] Other jurisdictions are proactively modernising, such as Luxembourg and the UAE, and Switzerland has clarified that the VAT liability of services is wholly independent of the delivery model.

Recommendation 1: Provide stability and certainty by not increasing taxation on the banking sector and avoid making any changes to reserve remuneration.

Recommendation 2: Update the Corporate Tax Roadmap 2024 to include a timeline to phase out the bank corporation tax surcharge and the bank levy.

Recommendation 3: Modernise the UK's outdated VAT regime for financial services to align it with the government's growth and competitiveness objectives.

Recommendation 4: Ahead of any review, HMRC should continue to work collaboratively with industry to ensure a consistent approach to VAT treatment that is clearly communicated and in line with established practice.

Recommendation 5: Create the right tax environment by cutting administrative burdens and ensuring alignment between tax policy and broader government objectives.

Support sustainable public finances by unlocking the growth potential of financial services

A better way to strengthen the public finances – consistent with and supportive of the Modern Industrial Strategy and FSGCS – is to enable the financial services sector to generate more value in the first place. We urge the government to drive forward policy and regulatory reform initiatives that centre on:

1. Creating a pro-growth operating environment for our sector
2. Ensuring our financial system is fit for the future
3. Unlocking financial services for consumers, businesses and society

The remainder of this submission focuses on recommended reforms that are intended to deliver near-term benefits by making the UK more attractive to investors, and to support sustainable economic growth across the UK, and stronger public finances, over the longer-term.

1. Create a pro-growth operating environment

Reform of conduct regulation

The UK needs a predictable and proportionate framework for conduct regulation, founded on a more balanced approach to risk-taking – this would reduce the risk premium facing UK-based firms and encourage greater capital investment and innovation.

We are pleased the government has embraced this goal through its Leeds Reforms. Modifying the Financial Ombudsman Service's (FOS) role by bringing an end to its quasi-regulatory behaviour will make our sector's operating environment more certain for firms. We welcome recent HM Treasury and FCA consultations on this topic.

Any changes flowing from these reviews will take time to materialise due to the need for legislation. The government and FCA should consider what reforms could be brought forward now – including changes to the FCA's dispute resolution (DISP) rules, which would not need parliamentary time.

We believe there is value in piloting elements of HMT's planned reforms from April 2026 – in particular for complaints linked to new Targeted Support services being introduced as part of the Advice Guidance Boundary Review. This would provide assurances to firms, ensure proposals work in practice and allow the FCA and FOS to refine processes in a controlled environment ahead of legislation.

We recognise the FCA may be cautious about moving ahead of parliament. However, the risks are limited, and the benefits of early action are clear – it would signal the UK's urgency in creating a more certain regulatory framework by tackling known issues which are currently a drag on investment and growth.

Reform of the FOS should be carried out in tandem with reform of poor professional behaviour by claims management companies (CMCs). Although new fees and caps have been introduced for CMCs making referrals to the FOS, we would like to see the FCA do more to improve the quality of complaints-handling by these firms. The FCA should make amendments to its DISP rules soon to strengthen the obligations of professional representatives.

In addition to FOS reform, UK Finance recognises that the consolidation of the Payment Systems Regulator (PSR) into the FCA is another important part of the government's welcome steps to simplify and bring more certainty to the regulatory landscape.

We are pleased to be supporting the government and regulators' work on this reform, and keen that it is more than a 'lift and shift' exercise, with discernible benefits delivered, such as a compliance environment that is easier for firms to navigate, policy initiatives that are more proportionate, and greater transparency over decision–making.

Recommendation 6: Continue the swift reform of the FOS by announcing a timetable before the end of the year for legislating for changes and expediting – ahead of legislation – relevant changes to DISP rules.

Recommendation 7: FCA and FOS to pilot HMT's planned amendment to the fair and reasonable test and the new referral mechanism from April 2026, specifically linked to Targeted Support complaints.

Recommendation 8: The FCA should address ongoing poor behaviour of some CMCs, through amendments to professional representative obligations within DISP rules.

Reforming capital requirements for growth

The UK's capital requirements are among the most conservative in the world, putting a brake on growth, investment and the UK's ability to compete internationally. Recalibrating the regime would unlock additional finance for businesses and households and support investment across the UK.

In 2015, after its review of optimal capital levels in the UK, the Bank of England's Financial Policy Committee (FPC) judged that equity in the system 'had a little further to increase'. According to the Bank of England, Tier 1 levels then stood at 13.8%. They are now 17.2%.

UK banks' capital requirements are now the highest in the G7. This upward drift has continued despite a transformation over the same period in the resilience of the system. Reforms such as Basel 3.1, rigorous stress testing, ring-fencing, enhanced resolution and operational resilience frameworks, and the Bank of England's liquidity framework have all strengthened the sector and reduced systemic risks.

When capital requirements are set materially higher than the risks faced by banks, the cost of lending rises, and the capacity to finance households and businesses is constrained. A system-wide increase of £54 billion in Core Equity Tier 1 capital over the last decade is equivalent to lost mortgage lending capacity of almost £2 trillion, or £1 trillion in lost SME lending capacity.[23]

[23] £54bn of CET1 capital translates into approximately £1,929 billion of mortgage lending or £964 billion SME lending (assuming a capital requirement of 14% and assuming risk weights of 20% and 40% respectively)

Safety and soundness should remain paramount, and the international post-crisis reforms were necessary to ensure a safe banking system. However, the UK's capital framework for banks has gone beyond international standards, and overall, the UK's prudential guardrails remain stricter than competitor jurisdictions – which are now actively reviewing and reducing capital requirements. For examples, those signalled by the US administration could yield a 1ppt reduction on requirements for the largest five US banks of approximately $54 billion in CET 1 capital in aggregate.[24]

In July 2025, the FPC announced in July 2025 a review of the level of capital in the banking system needed to maintain financial stability.[25] Encouragingly, the government confirmed in its Financial Services Growth and Competitiveness Strategy that this review '*will inform the government's and the Bank of England's ongoing work to ensure the different parts of the prudential framework, and their interactions, strike the optimal balance to deliver resilience, growth and competitiveness.*'[26]

The government should use the FPC's capital review, as well as input from the industry, to set its expectation to the regulators on the appropriate balance between capital requirements and growth - and deliver meaningful change to the UK's capital framework to bring it in line with competitor jurisdictions.

It is important to note that a reduction in capital requirements – and subsequent additional financing capacity released as a result – is only possible if steady state capital levels are actively reduced. Relying on reforms and subsequent adjustment to areas deemed more discretionary – such as management buffers – will not achieve the desired capital reduction and additional financing to support UK growth. Markets (investors and credit rating agencies) have expectations on the maintenance of capital buffers, with adverse consequences on costs for firms running close to regulatory minimum requirements. Therefore, reductions in discretionary management buffers are not a solution to addressing the over-capitalisation of UK banks.

Recommendation 9: Right-size the capital stack in line with the level previously defined by the FPC as optimal for growth and financial stability: 11-14% Tier 1. As part of this, the FPC and the PRA should use all the tools available to achieve the optimal capital level, including:

- Macro-prudential tools – buffer levels and leverage – significantly streamline and reduce the impact of the UK's buffer framework to ensure effectiveness and international comparability[27]
- Eliminate duplicative or overlapping capital requirements, particularly for domestically focused businesses models[28]
- Assess and remove impediments to growth for certain sectors, products and markets.[29]

Revitalise international trade

A reinvigorated international trade strategy, with financial services placed at its heart, should be a central part of the government's growth mission. We need to deepen strategic relationships with key jurisdictions.

[24] The US administration has signalled changes to various aspects of its capital regime: the Stress Capital Buffer, Global Systemically Important Bank surcharge, leverage ratio, Fed stress test results (2024 and 2025) and Pillar 3 reports. Meanwhile, the ECB launched a taskforce in April 2025 to develop proposals for simplifying the European prudential regulatory, supervisory and reporting framework – see details here.
[25] Financial Policy Committee record, Banking of England, July 2025
[26] Financial Services Growth and Competitiveness Strategy, HM Treasury, July 2025
[27] We believe attention is required in two areas. Firstly, on the Counter-Cyclical buffer (CCyB), we suggest the resting rate of 2% should be reviewed, with consideration given to reducing the buffer to 1% in line with two G7 countries (France stands at 1% and Germany at 0.75%) or even 0%, to align with other G7 countries. Secondly on the Leverage Ratio, the quality of capital should be aligned to Basel standards by requiring Total Tier 1 capital instead of 75% CET 1, to benefit low risk but leverage constrained UK ring-fenced and other banks and building societies.
[28] Areas of focus should include the CCyB, the OSII buffer, the Pillar 2A geographic concentration risk charge, and IFRS 9 expected credit loss provisions and capital.
[29] On retail and commercial, there should be a particular focus on the treatment of mortgage loans, SME and infrastructure lending; and on wholesale, the focus should be on corporate and non-financial corporate financing, netting and large exposure methodologies. The capital treatment of software assets, securitisation and the prudential value adjustment should also be considered.

The recently announced UK/US Transatlantic Taskforce for Markets of the Future is a welcome step to enhance collaboration particularly in fast moving areas like digital assets where greater regulatory cooperation and alignment is needed.

UK Finance is leading a collaborative industry pilot project to deliver a platform to enable multi-bank transactions of tokenised sterling deposits, supporting a range of use cases. The Transatlantic Taskforce is an opportunity to explore the use of sterling and dollar tokenised deposits for on-chain settlement.

Equally, we must build on the significant progress made in resetting the UK/EU relationship, ensuring that financial services are firmly embedded within that dialogue.

An even more globally connected financial sector will better position the UK to attract investment, support innovation and reinforce the UK's role as a leading financial centre.

Recommendation 10: Ensure financial services are embedded in the UK's ongoing dialogue with the EU about resetting our relationship.

Recommendation 11: Continue to strengthen cooperation with international partners to reduce regulatory fragmentation, and ensure the UK is actively shaping new global standards that will influence services trade in the years ahead.

2. Ensure our financial system is fit for the future

Swift implementation of the National Payments Vision

Payment services are a crucial driver of economic growth – both directly, through their own contribution to output and employment, and indirectly, by enabling businesses and consumers to transact efficiently. Modernising payments infrastructure would help boost the growth-driving potential of every sector.

The UK historically led the world in payments, pioneering innovative new models through Faster Payments and Open Banking. In recent years, however, other established and emerging financial centres around the world have moved ahead of the UK in areas such as next-generation real-time payments and new forms of digital money.

UK Finance therefore welcomed the government's new National Payments Vision last November, and the government and Bank of England's confirmation in July, as part of the Leeds Reforms, on key next steps to upgrade the UK retail payments infrastructure - including the announcement of the creation of a new industry-led Delivery Company ('DeliveryCo').

This policy framework, and the new decision-making framework created to deliver it, will bring greater certainty for industry participants and ensure investment is directed at the right initiatives at the right time. UK Finance is playing a central role in supporting the design of the DeliveryCo, whose success requires effective engagement from government and regulators.

To ensure the development of seamless account-to-account payments as a ubiquitous payment method – a key aim of the NPV – it is also important to maintain momentum on Open Banking, including the delivery of new Variable Recurring Payments services. Innovation in this area must continue to be market-driven and underpinned by sustainable funding models.

After a period of slow progress on modernising UK payments, the renewed momentum provided by the Leeds Reforms must be maintained. This should start with publication – by the end of 2025 – of the promised new Payments Forward Plan and a fully operational DeliveryCo by the end of March 2026.

Recommendation 12: Government, the BoE and other regulatory agencies should work constructively with the industry over the coming months to ensure DeliveryCo is fully operational by the end of Q1 2026.

More progress on capital markets reforms

Capital markets play a vital systemic role in our economy, attracting global capital and mobilising investment, supporting companies to grow and innovate, financing the net zero transition, and underpinning our pensions.

Progress has been made over the last year, including streamlined listings rules, the creation of the Private Intermittent Securities and Capital Exchange System (PISCES), progress on wholesale market reforms and a move towards a T+1 settlement system. But significant challenges remain, especially in our public equity markets. Even for well established companies that are publicly traded, liquidity is commonly cited as a factor in companies choosing to move their primary listing venue.

The government is rightly aiming to enhance the UK's retail investment culture. Rather than focusing on the cash ISA limit, there should be a greater focus on delivering financial education, increasing the provision of financial advice, and removing disincentives to investment in UK equities.

As we set out in our *Plan for Growth*,[30] we want to see the government and regulators expediate the implementation of reform already underway and deliver a modernised UK capital markets sector that can do even more to support UK growth. There is much more to do in this area. For example:

- **Investors need a reliable and transparent view of prices and liquidity** in one centralised place, which the promised but undelivered UK consolidated tape would help to deliver.
- **Stamp duty (SDRT) at 0.5% remains a friction point** impacting trading in UK companies but not US companies and should be addressed.
- **Broader measures are needed to improve market liquidity** and remove frictions preventing participation of retail investors, including delivery of the Advice Guidance Boundary Review; As noted above, the new Targeted Support regime is a welcome first step and its successful rollout would be supported by piloting elements of HMT's planned reform of the FOS.

In addition, while we welcome the government's Wholesale Financial Markets Digital Strategy, it needs to be implemented at pace, particularly dematerialisation of the shareholding system and issuance of a digital gilt (DIGIT). We believe there should be a series of digital gilts, and that it should be possible to use them as collateral, which would catalyse wider adoption and deep secondary markets.

Recommendation 13: Remove the 0.5% stamp duty (SDRT) applied to UK equities.

Recommendation 14: Prioritise the delivery of in-flight reforms such as a consolidated tape for equities including pre and post trade data.

Recommendation 15: Remove barriers to retail participation in capital markets, including delivery of the Advice Guidance Boundary Review reforms.

Recommendation 16: Accelerate delivery of the Wholesale Financial Markets Digital Strategy and implement the Digitisation Taskforce roadmap.

Recommendation 17: Retain the annual tax-free cash ISA allowance of £20,000, to avoid restricting consumers' options.

[30] Plan for Growth, UK Finance, March 2025

Incentivise tech and telco firms to proactively prevent fraud

Fraud represents over 40% of reported crime, with criminals stealing over £1 billion through unauthorised and authorised payment fraud last year.[31] These crimes damage consumer confidence, reducing their willingness to participate in the financial system. Tackling fraud is not only a consumer protection issue but an economic imperative: fraud acts as a hidden tax on firms, diverting resources from productive investment and undermining growth prospects.

The financial services industry continues to shoulder the financial burden of tackling fraud and reimbursing victims. UK Finance has long called for more action to prevent fraud occurring at source and more responsibility and accountability for the tech and telco sectors, where a significant proportion of the fraud suffered by the UK population originates. Three specific reforms are needed in this respect:

- **a greater and more active contribution from the tech and telco sector** in combatting fraud
- **reciprocal sharing of actionable data**, including from the tech and telco companies, on a more ambitious scale than existing initiatives
- **full implementation of voluntary codes** for the tech and telco sectors to reduce the volume of fake goods and online services, unsolicited and impersonation contacts that people face.

In relation to the Online Fraud Charter specifically, we think user verification, regulated and secure payment options, and KYC on paid-for adverts for financial promotions, should all become mandatory, to help to reduce the volume of fake goods and fake online services that consumers are exposed to in the UK.

The government's upcoming Fraud Strategy is a key opportunity to take further steps to strengthen the fight against fraud and share the burden of doing so more equally across industries.

Recommendation 18: Tech and telco sectors should contribute financially and share expertise, intelligence and capability to support proactive fraud prevention.

Recommendation 19: Full implementation and effective measurement of voluntary commitments in the tech and telco sector charters – with elements of the Online Fraud Charter for tech companies (requiring user verification, secure payment options and KYC for ads) becoming mandatory.

3. Unlock financial services for consumers, business and society

Unlock more access to finance and advice for SMEs through enhanced government support

Post-crisis financial services regulation continues to constrain supply of finance to SMEs. Lenders must hold larger amounts of capital against their exposures, making it harder to lend to riskier businesses. Additionally, many SMEs remain reluctant to borrow and invest in their growth.

In addition to reforming capital requirements, which we cover above, there are further steps we believe will help address these challenges:

- **Promote awareness of support available under the Small Business Plan** through a government-led national awareness campaign highlighting how SMEs can access the government's new Business Growth Services and other government schemes.

[31] Annual Fraud report 2025, UK Finance, June 2025

- **Recognise the importance of personal guarantees (PGs)** in maintaining SME lending capacity – we stand ready to support the government in developing a PG Code of Conduct for lending under the Growth Guarantee Scheme, as highlighted in its Small Business Plan, reinforcing the wider commitments made by our members last October,[32] so PGs continue to be used responsibly.

- **Enhance the government's Growth Guarantee Scheme (GGS)** further, building on the recent increase in funding and extension of the scheme to 2030, by further increasing GGS funding and reviewing existing scheme parameters, to support more lending to SMEs through the scheme.[33]

- **Tackle poor payment practices**, which have a negative impact on the whole economy and particularly smaller businesses, by implementing new legislation and working with businesses to drive wider cultural change so that more working capital can flow through supply chains.

Recommendation 20: Undertake a comprehensive awareness raising campaign with SMEs on the function of the Business Growth Service and how to access its provisions.

Recommendation 21: Remove current constraints on the Growth Guarantee Scheme to unlock more lending to SMEs.

Recommendation 22: Work with industry to develop a holistic and comprehensive approach to improving payment practices and cultures, ahead of tabling legislation.

Simplify mortgage lending and improve access to homeownership

Homeownership is a key driver of economic growth – boosting activity across construction, building supply chains, real-estate services, home furnishings, and consumer spending. Yet affordability pressures, complex regulation and an inefficient house buying process continue to hold people back.

A coordinated approach between government, regulators and industry is needed to unlock more sustainable routes to homeownership and support labour mobility. We believe the government should:

- **Coordinate policy on housing and lending** by ensuring alignment of the FCA's work on mortgage rule reform,[34] the PRA's approach to internal modelling and the government's Long-Term Housing Strategy, to ensure consistency across financial regulation and housing policy.

- **Digitise the homebuying and selling process** by establishing a joint taskforce to accelerate the move away from complex and time-consuming paper-based transactions and cut the estimated £1.5 billion annual cost of failed property sales.[35]

- **Support first-time buyers** by reforming the Lifetime ISA[36] and separately raise awareness of the later-life lending options available to help release property wealth which could be used to assist family members with deposits.

- **Help older homeowners to move or downsize**[37] by developing tailored advice and incentives that reduce upfront costs and increase the availability of appropriate homes for downsizers.

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[32] Commercial finance industry commitments on personal guarantees, UK Finance, October 2024
[33] Currently, some lenders limit the number of customers to whom they can lend through the GGS and/or cap the loan amount being offered given funding constraints.
[34] UK Finance's response to the FCA's recent Discussion Paper on the Mortgage Rule Review highlights several areas where further changes to mortgage lending rules could be made. See Response to the FCA's DP25/2: Mortgage Rule Review: the future of the mortgage market, UK Finance, September 2025
[35] Fixing the Broken Chain, Santander, September 2025
[36] For example: reduce the LISA's early exit charge to 20% (when not used for property purchase); raise the £450,000 property price cap in line with HPI; increase the annual contribution limit above £4,000; and revise age restrictions which currently limit usage by older first-time buyers.
[37] The Centre for Ageing Better found that four million people over the age of 55 would like to downsize, but only a fifth of them anticipate being able to do so because of a variety of hurdles See Four million older people thwarted from desired house move for lack of suitable alternatives, Centre for Better Ageing, August 2023

Recommendation 23: The government should set up a taskforce to lead work on the digitisation of the homebuying and selling process, building on recent proposals from MHCLG on reforming this process.

Recommendation 24: Raise awareness of property wealth options for older homeowners who wish to help family members with house deposits, and separately review the Lifetime ISA rules.

Create warmer, cleaner homes

The government's Warm Homes Plan can support economic growth while also improving the energy efficiency of homes. Upgrading homes with cleaner, more efficient heating will create skilled jobs, stimulate supply chains and cut energy bills – freeing up household spending.

We are encouraged that the government committed to supporting the Warm Homes Plan with £13.2bn at the Spending Review, which will help households to insulate their properties and install greener heating technologies like heat pumps. As the Labour Party Manifesto recognised, the government will need the support of lenders to ensure that homeowners can afford these home improvements.

The government can go further by using tax incentives to encourage homeowners to use finance for these improvements — for example a rebate on Stamp Duty Land Tax for homeowners if they undertake retrofits within a certain period of property purchase; or a tax-supported salary sacrifice scheme. We believe these incentives can be designed to be revenue neutral.

Recommendation 25: Use tax incentives like a rebate on Stamp Duty Land Tax or tax-supported salary sacrifice schemes to encourage homeowners to make green home improvements. HMT should work with industry to design these schemes.