

# Key facts

about UK-based financial and related professional services 2024



# About TheCityUK

TheCityUK is the industry-led body representing UK-based financial and related professional services. We champion and support the success of the ecosystem, and thereby our members, promoting policies in the UK and internationally that drive competitiveness, support job creation and enable long-term economic growth. The industry contributes 12% of the UK's total economic output and employs over 2.4 million people - with two thirds of these jobs outside London - across the country's regions and nations. It pays more corporation tax than any other sector and is the largest net exporting industry. The industry plays an important role in enabling the transition to net zero and driving economic growth across the wider economy through its provision of capital, investment, professional advice and insurance. It also makes a real difference to people in their daily lives, helping them save for the future, buy a home, invest in a business and manage risk.

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# Key facts about UK-based financial and related professional services



Over **2.4 million** people in the UK worked in financial and related professional services in 2022



This accounted for **7.5%** of total UK employment, with **two thirds** of this employment based outside of London



UK fund managers helped to protect and grow around **£10.3trn** in financial assets in 2022



UK-based financial and related professional services generated a trade surplus of **£95.6bn** in 2022

Financial services had more than **1.1m people** in employment:


 banking – **371,000**

insurance – **320,000** 

 fund management – **68,000**

other financial services – **307,000** 

Related professional services had almost **1.4 million people** in employment:

 management consultancy - **536,000**

accountancy - **476,000** 

 legal services - **368,000**



In 2022, UK private equity funds invested **£27.5bn** in more than **1,600** UK companies



The UK is home to **43%** of all LawTech start-ups in Europe



UK and international companies raised **£9.2bn** in issues of shares on the London Stock Exchange in 2023




The UK's pension industry had made investments worth **£3.7trn** at the end of 2022



Financial and related professional services contributed **£243.7bn** (12% of the total) to UK real GVA\* in 2023  
\*Gross value added



Financial services sector productivity is almost **2.5 times** as high as whole-economy productivity

 The outstanding amount of loans made available by major banks to UK businesses was **£527.6bn** as of November 2023  
**35.1%** of this was lent to SMEs

Enhancing customer experience through digital financial services



Annual transactions made with contactless payment cards were up **30%** in 2022 to **£17bn**



- In 2022, the number of payments via the Faster Payments Services (FPS) reached **4.3bn**
- 42%** of all business-to-business payments were done using FPS or another remote banking system

# Foreword

The latest official data, released as this report was being finalised, showed the UK to have fallen into a ‘technical’ recession (defined as two consecutive quarters of economic contraction) in 2023. 2024 promises only a subdued economic recovery, and only in the second half of the year.

Against this challenging backdrop, the UK-based financial and related professional services industry continues to play an enabling role in supporting economic growth, and to support individuals and businesses in their day-to-day activities through familiar services like saving, mortgage provision, and business lending. In this context, I am pleased to present the latest edition of our flagship annual research exploring the important contribution the industry makes to the UK economy. The data presented here highlights the multifaceted contributions made by the financial and related professional services industry. From fostering innovation and driving technological advancements to serving as a cornerstone of economic resilience, the significance of these services should not be under-estimated.

This report delves into the contributions of the various industry components and sub-components, examining their role in job creation, retail financial services, corporate fundraising, and more. For example, the latest available data show that the financial and related professional services industry employed more than 2.4m people across the UK in 2022. In that same year, UK-based fund managers managed more than £10trn in financial assets, and UK private equity funds invested almost £30bn in UK companies.

As we embark on a long path of economic recovery, the insights in this report provide crucial evidence for policymakers and industry stakeholders of the value and contribution of the financial and related professional services industry. Understanding the industry’s manifold contributions is a critical first step towards formulating informed strategies that will maintain and enhance the industry’s competitiveness, allowing it to continue to drive UK prosperity.

## Anjalika Bardalai

Chief Economist and Head of Research, TheCityUK



# Executive summary

- The UK-based financial and related professional services industry makes a crucial economic contribution and supports individuals and businesses in their day-to-day activities through services like saving, mortgage provision, and business lending. This report uses the latest available data to highlight the enabling role of the industry in driving economic growth.
- In 2022, over 2.4 million people worked across the UK in financial and related professional services, accounting for 7.5% of total UK employment. Two thirds of this employment was based outside London, with Birmingham, Edinburgh and Manchester being some of the leading industry employment centres besides London.
- Financial and related professional services contributed £243.7bn to UK real gross value added (GVA) in 2023. This represented 12% of total UK GVA. Compared with 2022, the industry’s real GVA decreased by 0.6%.
- The industry supports customers with services such as mortgage lending, pension saving, life assurance policies and other investment services. For example, in 2022-23, 29% of homeowners in England enjoyed the security of home ownership thanks to mortgages.
- In addition, the industry supports businesses in myriad ways, ranging from providing current accounts for day-to-day expenditures to insurance cover for assets to growth capital for investment. For example, the outstanding amount of loans made available by major banks to UK businesses totalled £527.6bn as of November 2023. Of this total, 35.1% was lent to SMEs.
- In 2022, UK private equity funds invested £27.5bn in more than 1,600 UK companies. Regionally, London accounted for 56.3% of the total amount of capital invested, followed by East Midlands (13.8%), the South East (6.9%), and West Midlands (5.6%).
- Small caps from across the UK enjoy access to one of the largest share markets for small companies in Europe, with 753 companies quoted on the AIM by the end of 2023. AIM companies raised £1.6bn through new and further issues of shares.
- The UK has high quality professional services related to financial services (accounting, management consulting and legal services). These three sectors contributed £28.2bn, £14.9bn and £30.4bn respectively to UK real output in 2023.
- The financial and related professional services industry is also involved in financial education programmes, social initiatives and alternative finance solutions for businesses and clients. Several companies have implemented programmes to support consumers with the current high cost of living.

# Supporting the economy across the UK

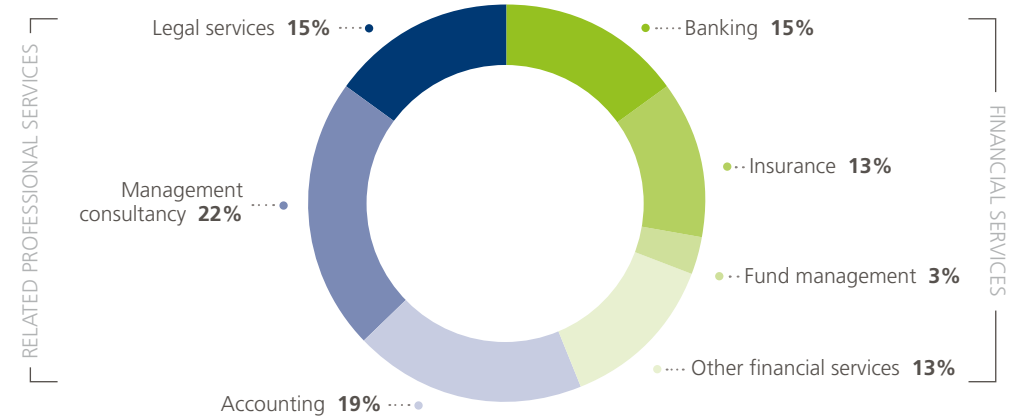
## A leading employer

According to the latest data available from the Office for National Statistics (ONS) and the Northern Ireland Statistics and Research Agency, in 2022 over 2.4 million people worked across the UK in financial and related professional services – the latter comprising legal services, accounting services and management consultancy. This accounted for 7.5% of total UK employment, or almost 1 in 13 workers. Compared with 2021, financial and related professional services employment decreased by 0.2%.

- Two thirds of this employment is based outside London. There are over 50,000 people in employment in Birmingham, Edinburgh and Manchester. Bristol has almost 46,000 people in employment, followed by Leeds and Glasgow, each with around 38,000 and 35,000 people, respectively. Belfast, Cardiff, Liverpool and Sheffield, each have between 20,000 and 27,000 people in employment. Other centres with over 14,000 people in employment include Salford, Milton Keynes, Newcastle and Reading.
- Twenty-one towns and cities in the UK each have over 10,000 people in employment in the industry.
- Financial services have more than 1.1 million people in employment, the majority of whom are in banking (371,000) and insurance (320,000). Fund management provides employment for a further 68,000 and other financial services 307,000.
- Related professional services have almost 1.4 million people in employment divided among management consultancy (536,000), accountancy (476,000) and legal services (368,000); for more information see Figure 1.<sup>1,2</sup>

**Figure 1:** Employment by sector in UK financial and related professional services, % of total industry employment, 2022

Source: TheCityUK calculations based on data from Nomis and the Northern Ireland Business Register and Employment Survey

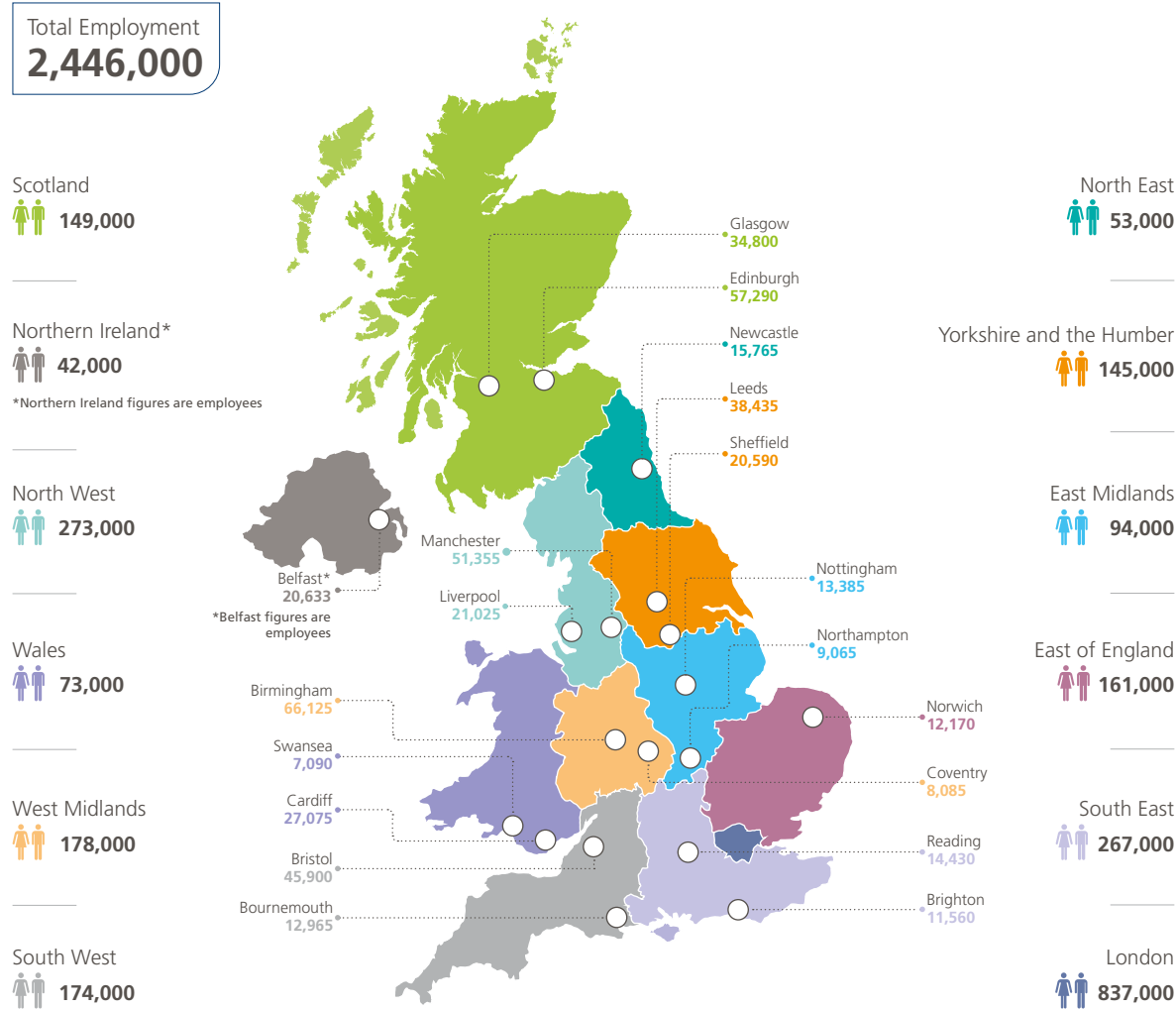


<sup>1</sup> TheCityUK calculations based on Nomis, 'Business register and employment survey: open access', (25 October 2023), available at: <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=189>

<sup>2</sup> TheCityUK calculations based on data from NISRA, 'Business Register and Employment Survey', (26 September 2023), available at: <https://www.nisra.gov.uk/statistics/annual-employee-jobs-surveys/business-register-and-employment-survey>

**Figure 2:** Employment in UK-based financial and related professional services, 2022

Source: TheCityUK calculations based on data from Nomis and the Northern Ireland Business Register and Employment Survey



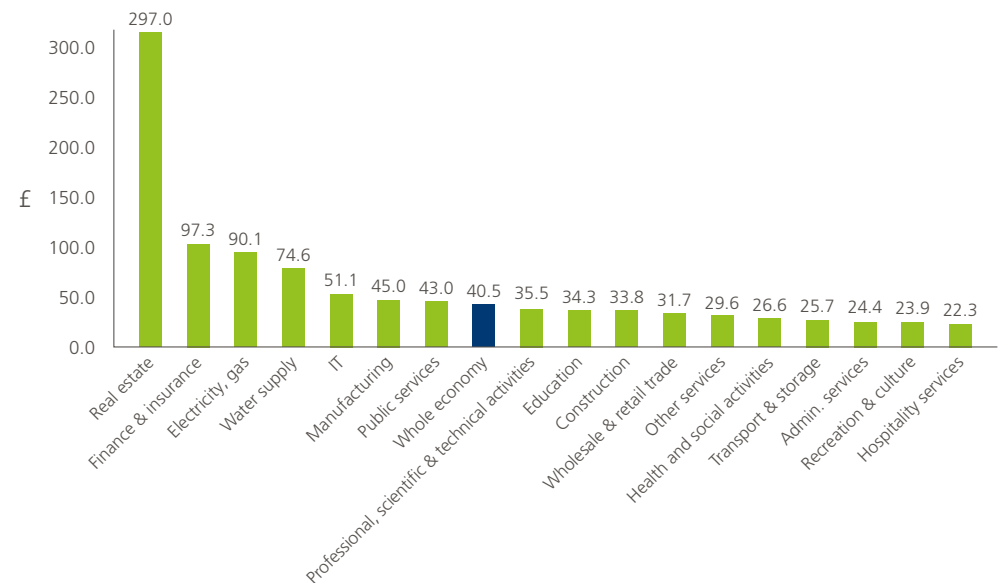
### A significant contributor to UK economic output

According to the latest available data from the ONS, across their domestic and international activities, financial and related professional services contributed £243.7bn to UK real (inflation-adjusted) gross value added (GVA) in 2023, representing around £12 of every £100 of economic output. Financial and related professional services is among the UK's largest industries as measured by GVA.<sup>3</sup> Compared with 2022, financial and related professional services GVA decreased by 0.6% in real terms.

Financial services sector productivity is almost 2.5 times as high as whole-economy productivity in terms of nominal output per hour. Output per hour for the financial services sector was £97.3 in 2022, compared with whole-economy productivity of £40.5. On this metric, the sector ranks second, behind Real Estate (£297); and ahead of Electricity and Gas (£90.1), Water Supply (£74.6), and IT (£51.1); for more information see Figure 3.<sup>4</sup>

**Figure 3:** UK output per hour by sector, £, 2022

Source: Office for National Statistics



<sup>3</sup> TheCityUK estimates based on the Office for National Statistics, 'GDP output approach - low-level aggregates', (15 February 2024), available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/ukgdpolowlevelaggregates>

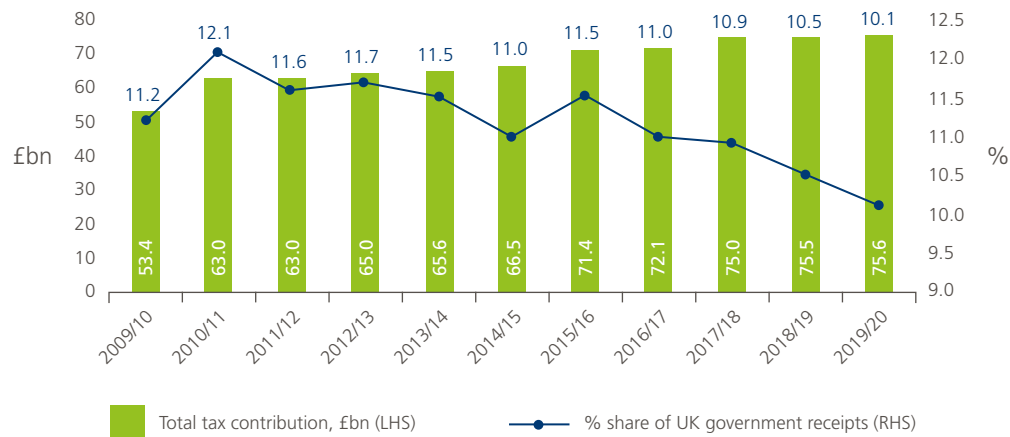
<sup>4</sup> Office for National Statistics, 'Output per hour worked, UK', (24 October 2023), available at: <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/outputperhourworkeduk>

## A large generator of tax receipts

UK-based financial services are a vital source of tax receipts, contributing £75.6bn in tax revenue in 2019/20 (latest available data). This accounted for 10.1% of total UK tax receipts (Figure 4) and was equivalent to 3.4% of UK GDP. A major source of tax receipts was the £34.5bn from employment tax.<sup>5</sup> Moreover, the total tax contribution of legal and accounting activities in 2020 was £20.5bn, representing 2.8% of total government receipts in 2020.<sup>6</sup> Financial and related professional services is one of the largest taxpayers of any industry in the UK.

**Figure 4: Tax contribution of UK financial services, percentage share and £bn, 2009-20**

Source: City of London Corporation and PwC



5 City of London Corporation and PwC, 'The total tax contribution of UK financial services in 2020: 13th Edition', (9 February 2021), p.8 & 10, available at: <https://www.cityoflondon.gov.uk/assets/Business/total-tax-contribution-2020.pdf>

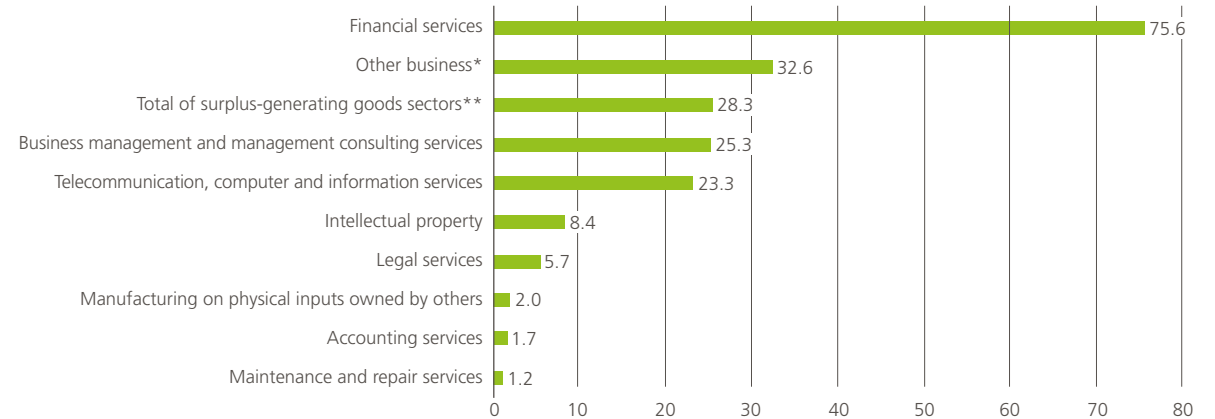
6 TheCityUK, 'Total Tax Contribution study', (18 October 2021), p.6, available at: <https://www.thecityuk.com/media/ncdlqdbp/total-tax-contribution-study-for-uk-legal-and-accounting-activities.pdf>

## Generating a trade surplus

UK-based financial and related professional services firms are the face of British businesses across the globe, contributing 'soft power' as well as economic and commercial success. UK-based financial and related professional services generated a trade surplus which we estimate to have been £95.6bn in 2022, based on data from the Office for National Statistics.<sup>7</sup> This was equivalent to 3.8% of GDP.<sup>8</sup> Financial services generated the largest trade surplus of any sector in the UK - £75.6bn in 2022. Among related professional services, legal services generated a trade surplus of £5.7bn; see Figure 5 for details.<sup>9</sup> Financial and related professional services' trade surpluses help to partly offset the UK's trade-in-goods deficit of £219.3bn.<sup>10</sup>

**Figure 5: UK sectors generating trade surpluses, £bn, 2022**

Source: Office for National Statistics



\*Research and development, Advertising and market research services, and Technical, trade-related and other business services

\*\*Semi-manufactured goods, precious stones and silver, Finish manufactured goods - ships and aircraft, and Commodities and transactions not classified according to kind

Note: Transport, Travel, Construction, Personal, cultural and recreational services, and Government services ran a trade deficit in 2022

7 TheCityUK estimates based on the Office for National Statistics, '03 Trade in services, the Pink Book', (31 October 2023), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

8 TheCityUK calculations based on the Office for National Statistics, 'Gross Domestic Product at market prices: current price: seasonally adjusted £m', (22 December 2023), available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ybha/qna>

9 TheCityUK calculations based on the Office for National Statistics, '03 Trade in services, the Pink Book', (31 October 2023), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/3tradeinservicesthepinkbook2016>

10 Office for National Statistics, '02 Trade in goods, the Pink Book', (31 October 2023), available at: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/2tradeingoodsthepinkbook2016>

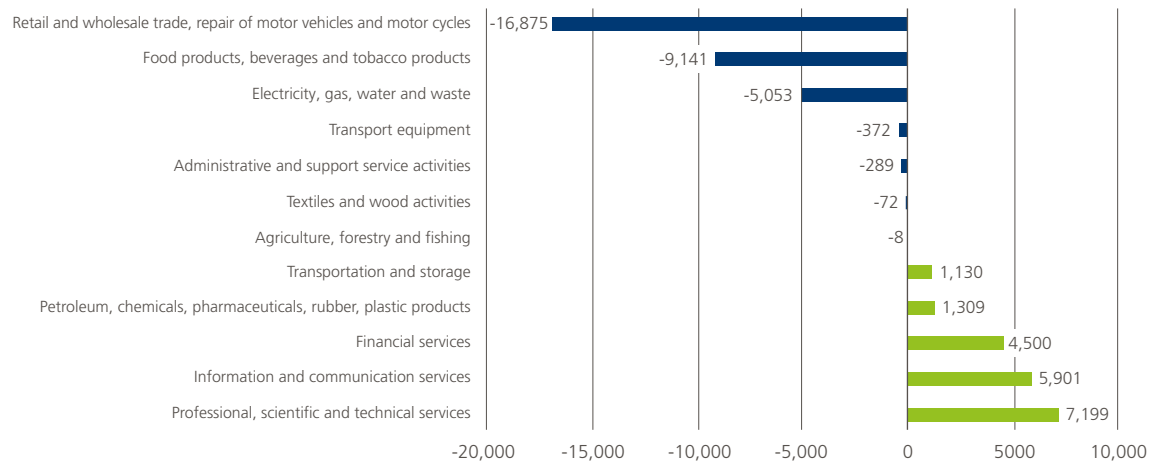
## Attracting foreign direct investment to the UK

The UK remains a key destination for financial and related professional services investment. The standard measure of such investment, inward foreign direct investment (FDI), is a volatile indicator that can show significant changes from year to year - for example, in any given year the figure may be distorted by a particularly large deal(s).

In 2021, the latest year for which data are available, the financial services sector attracted £4.5bn in FDI inflows. In a year in which the UK registered negative FDI inflows overall (in other words, net disinvestment in the economy), financial services and professional, scientific and technical services—the wider category that includes legal, accounting and management consulting services—were among the sectors that continued to attract net inflows; see Figure 6 for detail. Over the past five years (2017-2021), cumulative inflows of financial services FDI totalled £60.8bn, equivalent to 36.6% of overall FDI, constituting the sector that's most attracted FDI.<sup>11</sup>

**Figure 6: Inward FDI flow by top industrial activity in 2021, £m**

Source: Office for National Statistics



Note: A negative sign indicates a net disinvestment in the UK which means that direct investment interests were sold, and/or reinvested earnings were negative

11 TheCityUK calculations based on Office for National Statistics, 'Foreign direct investment flows into the United Kingdom by area, main country and industrial activity of UK affiliates, 2018 to 2021', (23 January 2023), available at: <https://www.ons.gov.uk/businessindustryandtrade/business/businessinnovation/datasets/foreigndirectinvestmentinvolvingukcompanies2013inwardtables>

# Making a positive difference to people's lives

## Enhancing consumer welfare and convenience by embracing digital banking services

In recent years, financial services firms have made multi-billion pound investments to enable their customers to take advantage of the shift towards digital banking and new payment systems.

- The use of contactless payments has increased rapidly in recent years, and even more so since the Covid-19 pandemic. According to data from UK Finance, the number of annual transactions made with contactless payment cards reached 17bn in 2022, up 30% from a year earlier.<sup>12</sup>
- At the end of 2022, there were 147m contactless cards in circulation. Ninety-one percent of debit cards had this system, as well as eighty-eight percent of credit cards.<sup>13</sup>
- Nevertheless, in 2022, cash payments increased for the first time in a decade, rising by 7% to 6.4bn payments. Cash remains the second-most-used payment method.<sup>14</sup>
- The number of cheque payments, on the other hand, declined by 84% over the last decade from 816m in 2012 to 129m in 2022.<sup>15</sup>
- Eighty-six percent of the population used at least one form of remote banking during 2022; 65% used online banking and 53% used mobile banking.<sup>16</sup>
- During 2022, the number of payments via the Faster Payments Services (FPS) reached 4.3bn, up 17% from 2021. Forty-two percent of all payments made by businesses were done using FPS or other remote banking system.<sup>17</sup>
- Traditional banks have embraced online and mobile banking, but globally, six top challenger banks are each valued more than \$1bn - four of which (OakNorth Bank, Starling Bank, Monzo Bank and Revolut) are based in the UK.

For more information about the methods of payment in the UK in 2022, see Figure 7.<sup>18</sup>

12 UK Finance, 'UK payment markets summary 2023', (September 2023), p.5 & 11, available at: <https://www.ukfinance.org.uk/system/files/2023-09/UK%20Finance%20Payment%20Markets%20Report%202023%20Summary.pdf>

13 Ibid.

14 UK Finance, 'UK payment markets summary 2023', (September 2023), p.11, available at: <https://www.ukfinance.org.uk/system/files/2023-09/UK%20Finance%20Payment%20Markets%20Report%202023%20Summary.pdf>

15 UK Finance, 'UK payment markets summary 2023', (September 2023), p.8, available at: <https://www.ukfinance.org.uk/system/files/2023-09/UK%20Finance%20Payment%20Markets%20Report%202023%20Summary.pdf>

16 UK Finance, 'UK payment markets summary 2023', (September 2023), p.7, available at: <https://www.ukfinance.org.uk/system/files/2023-09/UK%20Finance%20Payment%20Markets%20Report%202023%20Summary.pdf>

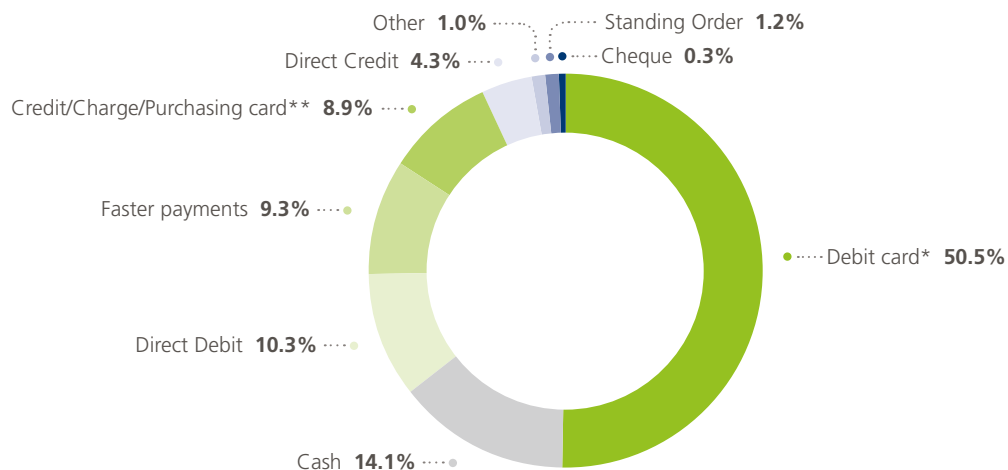
17 Ibid.

18 UK Finance, 'UK payment markets summary 2023', (September 2023), p.10, available at: <https://www.ukfinance.org.uk/system/files/2023-09/UK%20Finance%20Payment%20Markets%20Report%202023%20Summary.pdf>



**Figure 7: Methods of payments in the UK, % share, 2022**

Source: UK Finance



\*Contactless payments made by debit card were 32% of the total payments.

\*\*Contactless payments made by credit card were 5% of the total payments.

## Providing mortgage finance

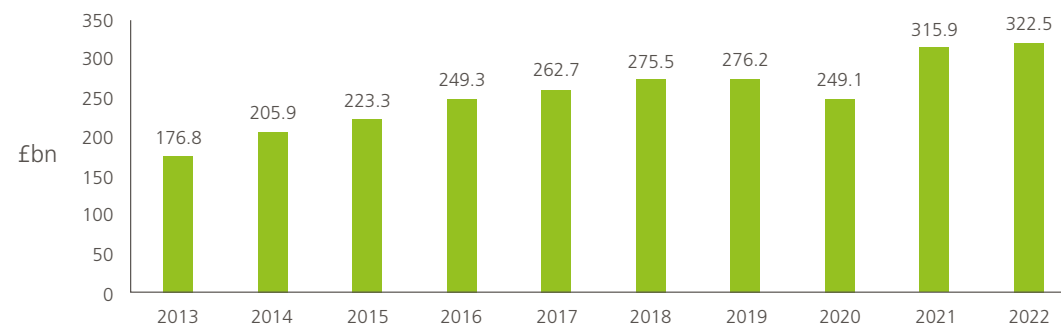
In 2022-23, 29% of homeowners in England enjoyed the security of home ownership thanks to mortgages.<sup>19</sup> The value of gross mortgage lending in the UK grew steadily over the last decade, except in 2020 when it decreased by 9.8% due to the Covid-19 pandemic, reaching £322.5bn in 2022, up 2.1% from 2021 (Figure 8). According to the latest available data, the value of gross mortgage lending until the third quarter of 2023 was £173.4bn,<sup>20</sup> which shows a clear slowdown of the growth in gross mortgage lending since 2022. This is almost certainly because of the sharp rise in interest rates over the past two years.

19 Ministry of Housing, Communities and Local Government, 'English housing survey 2022 to 2023: headline report', (14 December 2023), available at: <https://www.gov.uk/government/statistics/chapters-for-english-housing-survey-2022-to-2023-headline-report/introduction-and-key-findings>

20 Financial Conduct Authority and Bank of England, 'Mortgage lending statistics – December 2023', (12 December 2023), available at: <https://www.fca.org.uk/data/mortgage-lending-statistics>

**Figure 8: UK gross mortgage lending, £bn, 2013-2022**

Source: FCA and Bank of England



## Safeguarding savings and managing investments for the future

UK fund managers helped to protect and grow around £10.3trn in financial assets in 2022, down 11.2% from 2021, representing savings through pensions, life assurance policies and other investments.<sup>21</sup> Pension providers have a key role in delivering cost effective and accessible pensions in the future, which for most people in the private sector are defined contribution (DC). Under DC schemes, pension payments are derived from the total value of contributions to pension pots made by individuals and their employers, with the value of the fund determined by the performance of investments.<sup>22</sup>

Pension participation has been increased, partly because of automatic enrolment that was introduced in 2012.<sup>23</sup> According to the latest available personal pension statistics published by HM Revenue & Customs in September 2023, contributions to personal pension pots totalled £14.2bn in 2021/22, up 3.6% from 2020/21.<sup>24</sup> The annual average contribution per member was almost £1,600 in 2021/22.<sup>25,26</sup> Personal pensions help savers to achieve their aspirations for financially independent retirement years. Personal pensions supplement state and occupational pension schemes.

21 The Investment Association, 'Investment management in the UK 2022-2023: The Investment Association annual survey', (October 2023), p.22, available at: [https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023\\_0.pdf](https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023_0.pdf)

22 The Investment Association, 'Investment management in the UK 2022-2023: The Investment Association annual survey', (October 2023), p.60, available at: [https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023\\_0.pdf](https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023_0.pdf)

23 The Investment Association, 'Investment management in the UK 2022-2023: The Investment Association annual survey', (October 2023), p.64, available at: [https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023\\_0.pdf](https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023_0.pdf)

24 HM Revenue & Customs, 'Commentary for Personal and Stakeholder Pension Statistics: September 2023', (27 September 2023), available at: <https://www.gov.uk/government/statistics/personal-and-stakeholder-pensions-statistics/private-pension-statistics-commentary-september-2022>

25 These figures include individual contributions made to personal pensions, and contributions made by members who are self-employed.

26 HM Revenue & Customs, 'Private pension statistics-Table 2', (27 September 2023), available at: <https://www.gov.uk/government/statistics/personal-and-stakeholder-pensions-statistics>

Annuities have often been used to provide a guaranteed income in retirement. However, the pension landscape changed dramatically following changes introduced in the 2014 Budget. These changes meant that those who could demonstrate that they had a guaranteed income of at least £20,000 per year did not have to annuitise. Due to the policy change, which took effect in 2015, annuity sales then declined considerably until 2020/21. However, according to the latest available data from FCA, in 2021/22, the number of annuity sales rose by 13% to 68,514,<sup>27</sup> an increase which was likely due to the fact that inflation-linked annuity rates in most cases have made the purchase of an annuity more profitable in the future. Moreover, during the first quarter of 2023, some providers reported an uptick in annuity sales because rates improved; the Association of British Insurers (ABI) reported that between January to March 2023, people bought 16,256 annuities. This is the largest number recorded since 17,252 were sold between July and September 2019.<sup>28</sup>

In addition, according to the latest available data published by the ABI, an estimated £9bn was withdrawn from pension pots through drawdown payments, cash withdrawals and pension commencement lump sums in 2022/23. For the general insurance sector, motor and property insurance processed around 12,300 claims per day in 2022; travel insurers paid out £352m in claims; and protection insurers paid out £6.9bn in 2022.<sup>29</sup>

## Broadening access to related professional services

Like the financial services sector, related professional services have also made increasing use of technology in recent years. Legal services, for example, is making greater use of artificial intelligence, which has the potential to lower costs over the medium to long term.

Additionally, the internet facilitates the provision of very basic legal services at low cost, bringing such services within the reach of individuals who may not otherwise be able to afford them.

LawTech, the sector that uses new technologies to provide legal services, is now worth at least \$29.8bn globally.<sup>30</sup> According to the latest available data, lawTech businesses in the UK had received around £674m in investment and employed more than 7,000 people as of December 2020. Indeed, the average annual growth rate of investment in LawTech from 2017 to 2020 was 101%, which was greater than the growth showed in other similar sectors: FinTech (20%), ClimaTech (5%) and HealthTech (47%).<sup>31</sup>

The UK has become a global hub for the sector and is home to 43% of all LawTech start-ups in Europe.<sup>32</sup> It benefits from a highly developed legal market, a technology talent pipeline, a competitive tax system, and a liberal regulatory regime. Whereas most jurisdictions continue to bar nonlawyers from involvement in legal services firms, the UK's Legal Services Act 2007 permitted Alternative Business Structures (ABS), business models that allow investment, ownership and management by non-lawyers. A 2023 study published by Thomson Reuters found that more than one-half of large law firms use Alternative Legal Service Provider (ALSPs) for consulting on legal technology, as well as more than one-third of midsize law firms, and 31% of small law firms. Moreover, 80% of UK law firms surveyed are using or planning to use an ALSP in the next few years for at least one type of service, especially for legal research services, consulting on legal technology, and e-discovery services.<sup>33</sup>

27 Financial Conduct Authority, 'Retirement income market data 2021/22', (6 October 2022), available at: <https://www.fca.org.uk/data/retirement-income-market-data-2021-22>

28 The Association of British Insurers, 'Annuity sales surge after turbulent 2022', available at: <https://www.abi.org.uk/news/news-articles/2023/5/annuity-sales-surge-after-turbulent-2022/>

29 Association of British Insurers, 'Annual Review 2023: Together, Driving Change', (2023), available at: <https://www.abi.org.uk/about-the-abi/annual-review/>

30 TheCityUK, 'Legal excellence, internationally renowned 2023', (8 December 2023), p.31, available at: <https://www.thecityuk.com/media/0didtzlm/legal-excellence-internationally-renowned-uk-legal-services-2023.pdf>

31 Lawtech UK, 'The LawtechUK Report 2021', (2021), p.17, available at: <https://technation.io/wp-content/uploads/2021/07/LawtechUK-Report-2021-Final.pdf>

32 TheCityUK, 'Legal excellence, internationally renowned 2023', (8 December 2023), p.31, available at: <https://www.thecityuk.com/media/0didtzlm/legal-excellence-internationally-renowned-uk-legal-services-2023.pdf>

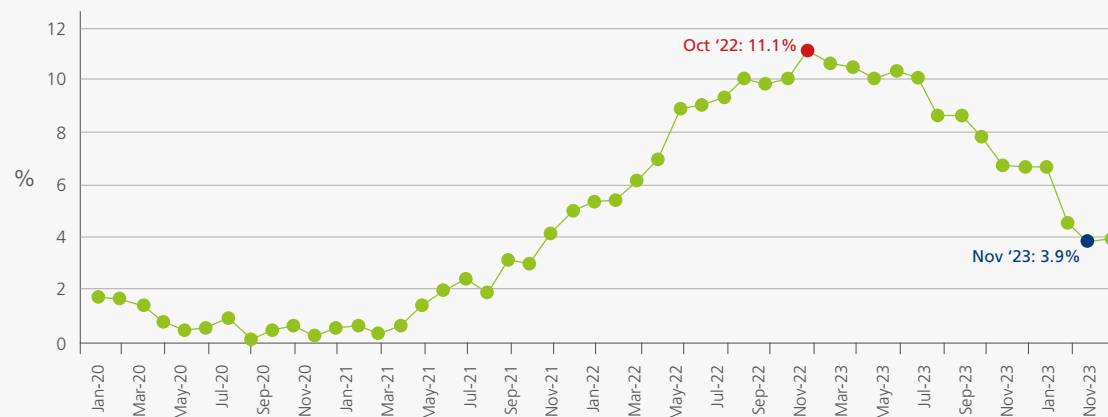
33 Thomson Reuters, 'Alternative legal services providers 2023', (2023), p.4&8, available at: <https://legal.thomsonreuters.com/content/dam/ewp-m/documents/legal/en/pdf/reports/alternative-legal-services-providers-2023.pdf>

## Continuing to support consumers amidst high inflation

Consumer price inflation rose sharply in many countries, including the UK, over 2021-22—a result of pandemic-related supply shortages and the subsequent increase in demand for products and materials as the global economy recovered from the collapse of demand in 2020. Moreover, in 2022 the conflict in Ukraine began, further fuelling commodity and energy price rises around the world.<sup>34</sup> In consequence, in October 2022, the UK's annual inflation rate reached 11.1%, the highest rate in over 40 years.<sup>35</sup> Although inflation has slowed markedly, averaging 4% year on year in both December 2023 and January 2024, this remains well above the official 2% target. For details, see Figure 9.<sup>36</sup>

**Figure 9:** Annual change in consumer prices, 2020-23

**Source:** Office for National Statistics



34 House of Commons Library, 'Rising cost of living in the UK', (16 February 2024), available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-9428/>

35 Office for National Statistics, 'Consumer price inflation, UK: November 2022', (14 December 2022), available at: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/november2022>

36 Office for National Statistics, 'Consumer price inflation tables', (17 January 2024), available at: <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation/current>

High inflation affects the affordability of goods and services for households and businesses. Indeed, according to a ONS survey, 87% of adults reported the cost of living as an important issue facing the UK today.<sup>37</sup> The government has created some schemes to help the population deal with energy bills and with the high cost of living, and the Bank of England has tightened monetary policy in an attempt to control inflation (although this raises debt-service costs for households and businesses).<sup>38</sup> The financial and related professional services industry has also taken an active approach to assisting customers. Examples of some specific schemes introduced by financial services firms to support consumers with financial difficulty include the following (not an exhaustive list):

- **Financial advice:**
  - o HSBC has created a dedicated website giving extensive advice on the cost-of-living crisis.<sup>39</sup>
  - o Barclays offers guidance to customers on budgeting basics, smart ways to save or tools to help them take control of their cash.<sup>40</sup>
- **Mortgage support:**
  - o In June 2023, the UK's largest mortgage lenders and the Financial Conduct Authority agreed to the commitments of the Mortgage Charter released by the UK government. The charter sets out how banks can give customers additional flexibility with their mortgages and was signed by forty-eight lenders which collectively represent approximately 90% of the mortgage market. Customers who are struggling can contact their bank to discuss options for support without affecting their credit score, arrange to switch rates up to six months ahead of a current rate expiring, extend their mortgage term, with the option to reduce it within six months, and choose to pay only the interest due on their mortgage for a six-month period.<sup>41</sup>
  - o In a targeted move to support those managing the change in the cost of living, NatWest bank stopped all fees and charges for personal mortgage customers in persistent financial difficulty from the end of April 2023, when receiving help from its specialist Financial Health and Support teams.<sup>42</sup>

37 Office for National Statistics, 'Public opinions and social trends, Great Britain: 13 December 2023 to 1 January 2024', (12 January 2024), available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/publicopinionsandsocialtrendsgreatbritain/13december2023to1january2024>

38 House of Commons Library, 'Rising cost of living in the UK', (16 February 2024), available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-9428/>

39 Chartered Banker, 'How can banks help amid the cost-of-living crisis?', (25 November 2022), available at: [https://www.charteredbanker.com/resource\\_listing/knowledge-hub-listing/how-can-banks-help-amid-the-cost-of-living-crisis.html](https://www.charteredbanker.com/resource_listing/knowledge-hub-listing/how-can-banks-help-amid-the-cost-of-living-crisis.html)

40 Barclays, 'Money management: The cost of living and your everyday finances', available at: <https://www.barclays.co.uk/money-management/>

41 HM Treasury, 'Mortgage Charter', (January 2024), available at: <https://www.gov.uk/government/publications/mortgage-charter/mortgage-charter>

42 NatWest, 'NatWest Group to support 10 million every year with financial wellbeing', (July 2023), available at: <https://www.natwestgroup.com/news-and-insights/news-room/press-releases/financial-capability-and-learning/2023/jul/natwest-group-will-support-10-million-with-financial-wellbeing.html>

## Supporting businesses

Most businesses would not be able to operate without the financial services sector. It supports businesses in myriad ways, ranging from providing current accounts for day-to-day expenditures to insurance cover for assets to growth capital for investment.

The funds businesses need can come from a number of sources. The most common options for companies looking to raise money include bank finance, bonds, equities on stock markets and private equity. Other forms of finance include asset finance, business angel investment, insurance company and pension fund lending, crowdfunding, and private placements. Provision of finance enables companies to invest in creating jobs, training and developing people, and developing their products and services.

### Bank lending

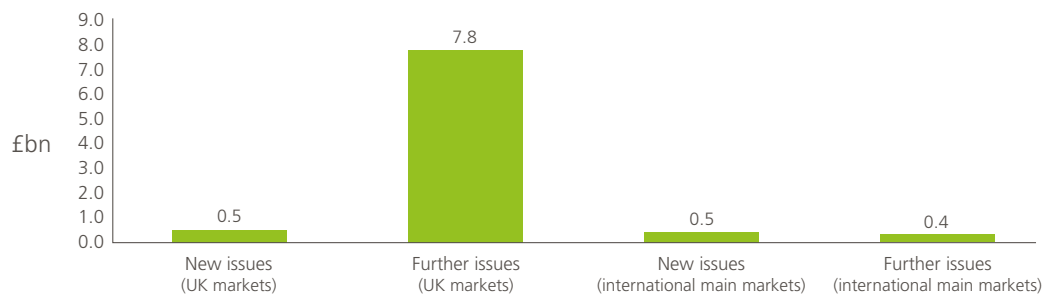
The outstanding amount of loans made available by major banks to UK businesses totalled £527.6bn as of November 2023, 2% less than in November 2022. Of this total, 35.1% was lent to SMEs.<sup>43</sup>

### Equity and bond financing

**Shares:** UK and international companies raised £9.2bn in issues of shares on the London Stock Exchange in 2023: £8.3bn in issuance of shares on UK markets; and £900m in international main markets (Figures 10 and 11).<sup>44</sup>

**Figure 10:** Issues of shares on the London Stock Exchange, £bn, 2023

Source: London Stock Exchange

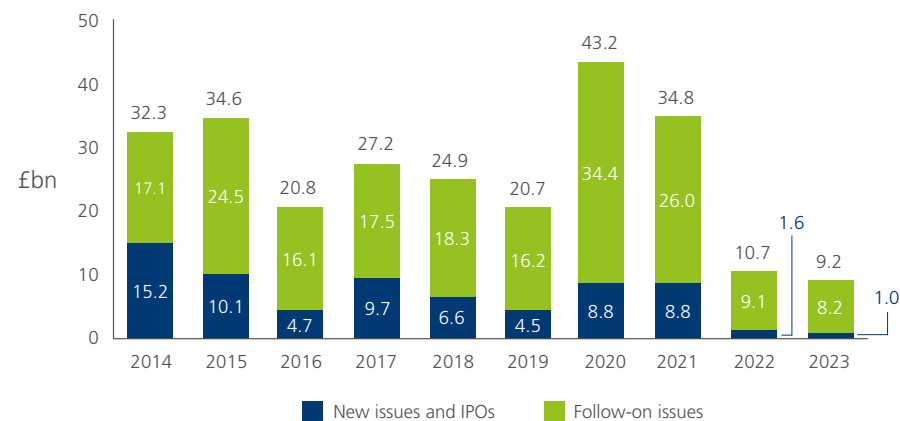


<sup>43</sup> Bank of England, 'Monetary financial institutions' loan to UK non-financial business, by size of business (November 2023)', (2024), available at: <https://www.bankofengland.co.uk/boeapps/database/index.asp?first=yes&SectionRequired=A&HideNums=-1&Extrainfo=false&Travel=NlxSTx>

<sup>44</sup> London Stock Exchange, 'New and further issues', (31 December 2023), available at: <https://www.londonstockexchange.com/reports?tab=further-issues>

**Figure 11:** Equity issuance on the London Stock Exchange, £bn, 2014-2023

Source: London Stock Exchange



Small caps from across the UK enjoy access to one of the largest share markets for small companies in Europe, with 753 companies quoted on the AIM in 2023. AIM companies raised £1.6bn through new and further issues of shares.<sup>45</sup>

Aquis Stock Exchange (AQSE) is another important UK-based stock market providing primary and secondary markets for equity and debt products. In 2023, there were 85 companies quoted on the AQSE that raised around £93m through new and further issues.

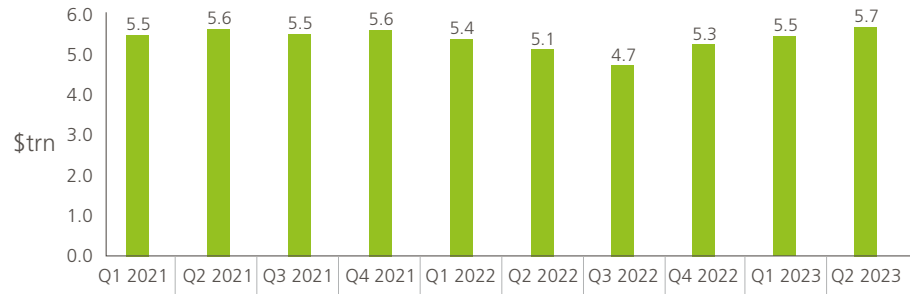
**Bonds:** London continues to be a major global centre for the issuance and trading of bonds. According to data from the Bank for International Settlements, the amount of debt securities outstanding in the UK was \$5.7trn in the second quarter of 2023, up 5% from the previous quarter, and up 11% from the year-earlier period; for more information see Figure 12.<sup>46</sup>

<sup>45</sup> London Stock Exchange, 'AIM statistics', (December 2023), available at: <https://www.londonstockexchange.com/reports?tab=issuers>

<sup>46</sup> Bank for International Settlements, 'C1 Summary of debt securities outstanding-Q2 2023', (December 2023), available at: <https://data.bis.org/topics/DSS/tables-and-dashboards>

**Figure 12:** UK debt securities outstanding, \$trn, Q1 2021 - Q2 2023

Source: Bank for International Settlements



**Institutional investment**

The UK has one of the largest pension industries worldwide, with total investments of £3.7trn at the end of 2022 (12% less than in 2021).<sup>47</sup>

**Alternative finance**

The UK is considered one of the world’s leading FinTech markets. According to Innovate Finance, the UK attracted \$5.1bn across 409 deals in 2023, a drop from \$14.6bn in 2022 in line with macroeconomic conditions. However, the average UK deal size for 2023 was \$12.5m, well ahead of all years up to 2020.<sup>48</sup>

The FinTech sector could help SMEs to realise their growth. For instance, Payrow is a UK FinTech which supports companies by providing access to affordable, paperless global money-management tools.<sup>49</sup> Funding Circle is another example of a prominent UK FinTech; it is a peer-to-peer lending site focusing on debt crowdfunding with the goal of giving SMEs better access to finance. Organisations such as the British Business Bank, councils, universities and financial institutions also lend via Funding Circle.<sup>50</sup>

47 The Investment Association, ‘Investment management in the UK 2022-2023: The Investment Association annual survey’, (October 2023), p.60, available at: [https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023\\_0.pdf](https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023_0.pdf)  
 48 Innovate Finance, ‘FinTech Investment Landscape 2023’, (January 2024), available at: <https://www.innovatefinance.com/capital/fintech-investment-landscape-2023/>  
 49 Payrow, available at: <https://payrow.com/6>  
 50 Funding Circle, ‘About Us’, available at: <https://www.fundingcircle.com/uk/about-us/>

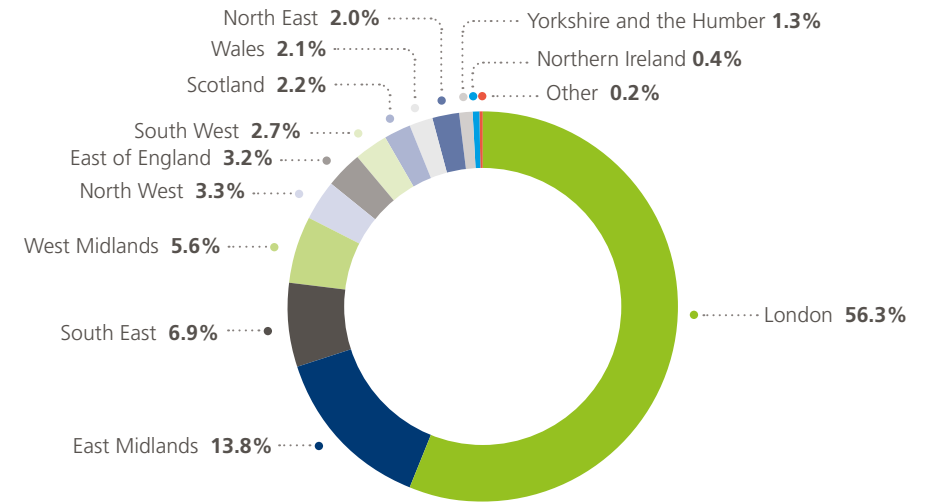
**Primary destination for private equity**

The UK private equity and venture capital sector manages assets totalling around £250bn.<sup>51</sup> In 2022, UK private equity funds invested £27.5bn in more than 1,600 UK companies. Regionally, London accounted for 56.3% of total amount of capital invested, followed by the East Midlands (13.8%), the South East (6.9%), and the West Midlands (5.6%); for more information see Figure 13.<sup>52</sup>

The UK is a hub for venture capital. In the past five years, 40% of European venture capital raising was based in the UK. Venture capital investment into UK start-ups totalled \$21.3bn in 2023; moreover, London-based tech companies received venture capital investment of \$13.7bn in 2023, ranked fourth globally behind the Bay Area (\$53.5bn), New York (\$16.2bn), and Greater Boston (\$14.4bn).<sup>53</sup> UK-based venture capital investors have raised over \$25bn in the last three years.

**Figure 13:** UK private equity investments, % of amounts invested, 2022

Source: British Private Equity & Venture Capital Association



51 The Investment Association, ‘Investment management in the UK 2022-2023: The Investment Association annual survey’, (October 2023), p.22, available at: [https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023\\_0.pdf](https://www.theia.org/sites/default/files/2023-10/Investment%20Management%20in%20the%20UK%202022-2023_0.pdf)  
 52 British Private Equity & Venture Capital Association, ‘BVCA report on investment activity 2022’, (July 2023), p.4 & 73, available at: <https://www.bvca.co.uk/Portals/0/Documents/Research/Industry%20Activity/BVCA-RIA-2021.pdf>  
 53 Dealroom.co, ‘Stats and Insights: VC Investment’, available at: [https://app.dealroom.co/curated-heatmaps/funding/location/f/growth\\_stages/not\\_mature/rounds/not\\_GRANTED\\_SPAC%20PRIVATE%20PLACEMENT/tags/not\\_outside%20tech?endYear=2023&interval=yearly&rows=--Bay%2520Area\\_region\\_filter~~bengaluru~singapore~jakarta~~Greater%2520Boston%2520Region\\_region\\_filter~~new\\_york\\_2~~london\\_9~~paris~~beijing\\_3~~tel\\_aviv\\_district\\_1~~shanghai\\_6~~berlin\\_2~~&showStats=bar&sort=-\\_2021&startYear=2023&type=amount](https://app.dealroom.co/curated-heatmaps/funding/location/f/growth_stages/not_mature/rounds/not_GRANTED_SPAC%20PRIVATE%20PLACEMENT/tags/not_outside%20tech?endYear=2023&interval=yearly&rows=--Bay%2520Area_region_filter~~bengaluru~singapore~jakarta~~Greater%2520Boston%2520Region_region_filter~~new_york_2~~london_9~~paris~~beijing_3~~tel_aviv_district_1~~shanghai_6~~berlin_2~~&showStats=bar&sort=-_2021&startYear=2023&type=amount)

## Investing in infrastructure

The UK government published a National Infrastructure Strategy in 2020, where it set out its goal to deliver an infrastructure revolution to put the UK on the path to net-zero carbon emissions by 2025, and to encourage private investment in UK infrastructure by increasing policy certainty and stability. Additionally, the UK Infrastructure Bank was established in June 2021 with the objective of providing finance to the private sector and local government for infrastructure projects. In 2022/23, the Bank completed eight transactions, investing £1.1bn into priority sectors' projects, and mobilising £7.8bn of private finance; the total figure overall stood at £9.7bn at the end of September 2023.<sup>54</sup>

However, the Bank alone cannot finance the whole of UK infrastructure investment; its £12bn in capital and £10bn guarantees only makes up a small proportion of the overall financing required. The private sector plays a vital role in infrastructure investment. The majority of projects in energy, utilities and digital infrastructure, for example, have been financed privately. Nearly 50% of the infrastructure pipeline is expected to be financed by the private sector in the coming years. The financial services sector is a key player in this private financing: pension funds and insurers are expected to invest £150bn-£190bn in infrastructure in the UK in the next decade.<sup>55</sup> More broadly, the UK-based financial and related professional services industry builds a bridge linking private investors and infrastructure investment. For example, the industry supports infrastructure investment by providing capital, as well as legal and advisory services.

## Providing professional and supporting services

The UK has high quality professional and support services; it has the largest and most developed market in Europe for related professional services (accounting, management consulting and legal services). These three sectors contributed £28.2bn, £14.9bn and £30.4bn respectively to UK real output in 2023.<sup>56</sup>

According to data from the Financial Reporting Council, there were 397,587 members and students in seven main accountancy bodies (which are structured as membership organisations) in the UK and the Republic of Ireland in 2022, up 2.1% from previous year; in addition, the number of members and students has increased constantly at a compound annual rate of 2.1% from 2018. The ICAEW was the largest of these, with 139,050 members and students, followed by the ACCA (109,625); for more information see Figure 14.<sup>57</sup>

54 UK Infrastructure Bank, 'Annual report and accounts 2022-2023', (October 2023), available at: [https://www.ukib.org.uk/sites/default/files/2023-10/UKIB-Annual-Report-and-Accounts-2022-23\\_0.pdf](https://www.ukib.org.uk/sites/default/files/2023-10/UKIB-Annual-Report-and-Accounts-2022-23_0.pdf)

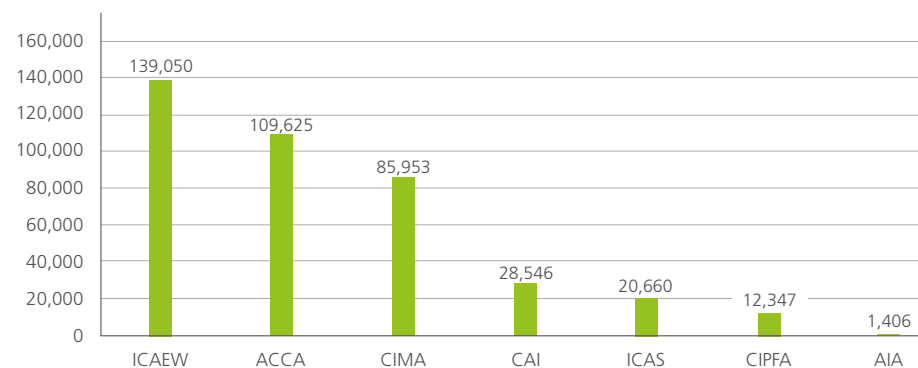
55 HM Treasury, 'National Infrastructure Strategy', (25 November 2020), available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/938539/NIS\\_Report\\_Web\\_Accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938539/NIS_Report_Web_Accessible.pdf)

56 TheCityUK estimates based on the Office for National Statistics, 'GDP output approach - low-level aggregates', (15 February 2024), available at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/datasets/ukgdpolowlevelaggregates>

57 Financial Reporting Council, 'Key Facts and Trends in the Accountancy Profession', (September 2023), p.63, available at: [https://media.frc.org.uk/documents/FRC\\_Key\\_Facts\\_and\\_Trends\\_in\\_the\\_Accountancy\\_Profession\\_for\\_2023.pdf](https://media.frc.org.uk/documents/FRC_Key_Facts_and_Trends_in_the_Accountancy_Profession_for_2023.pdf)

**Figure 14:** Members and students in the UK and Ireland, 2022

Source: Financial Reporting Council



The Policy & Reputation Group (PRG) is a cross-firm industry group made up of representatives from the seven largest UK accountancy firms: EY, KPMG, Deloitte, PwC, Grant Thornton, BDO and Mazars. The PRG seeks to develop an understanding of evolving public interest issues and how these might be addressed to help maintain confidence in the profession to support the UK economy, and to participate constructively in shaping public policy. According to the latest available data, the PRG has 70,000 employees in the UK, and each year there are around 6,000 entry level positions available. Moreover, over 40% of PRG employees work in 34 offices outside London: 8,600 in the South (excluding London); 8,500 in the North; 6,600 in Midlands; 3,500 in Scotland; 2,800 in Northern Ireland; and 1,100 in Wales.<sup>58</sup>

## Financial education

In keeping with its role as a facilitator of wider economic growth, the financial and related professional services industry also plays a role in relevant social initiatives such as financial education. Examples include:

- The Centre for Financial Capability (TCFC) is a coalition of savings and investment firms that provides support to financial education in children by funding financial education lessons in primary schools via its kickstart money programme. The purpose of the kickstart money programme is to set positive money habits and mindsets in children from an early age. Schools can access free lessons led by experts from financial charity MyBnk, as well as resources for teachers and carers.<sup>59</sup>

58 PRG, 'Our Activities', available at: <https://www.theprg.uk/our-activities/>

59 House of Lords Library, 'Financial education in schools', (January 2024), available at: <https://lordslibrary.parliament.uk/financial-education-in-schools/#ref-40>

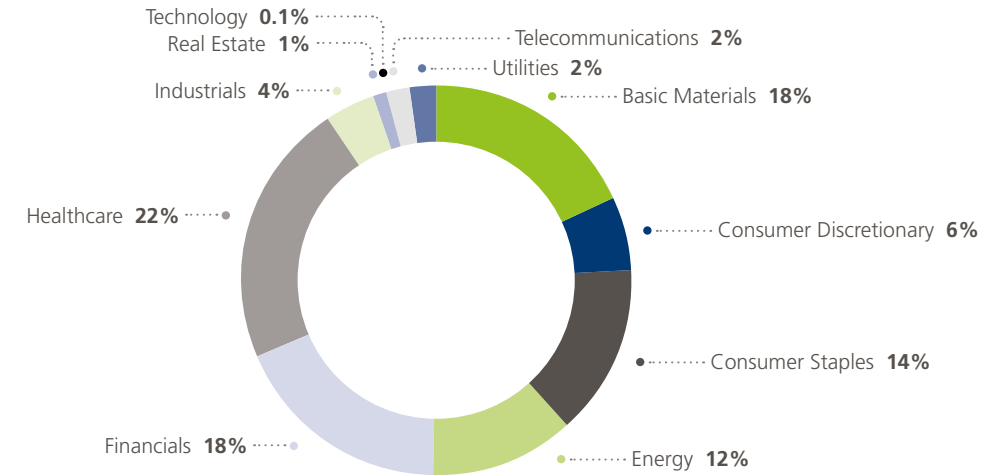
- Money Heroes platform from Young Money, supported by HSBC, is a three-year programme since 2021, aimed at improving financial capability skills, knowledge and confidence in decision making about money, for children aged 3 to 11. The platform enables teachers and parents to collaborate, to deliver joint home and school learning, and allows both parties to track progression of children on the platform.<sup>60</sup> During its first three years, Money Heroes has reached 465,136 young people, by working with over 2,500 schools and organisations, and supporting over 3,100 educators and 9,000 parents.<sup>61</sup>
- HSBC also supports the Scout Association with a new Money Skills Activity Badge with the purpose of developing confidence and an understanding of money in the Scouts group; the new activities and badge are available to over 200,000 Scouts aged 6 to 10.<sup>62</sup>
- Barclays designed a free financial education programme called LifeSkills with the purpose of helping people to learn the money and career skills they need to progress in life. This scheme was created with content for educators, parents and young people and has helped around 13 million people.<sup>63</sup>
- Lloyds Bank created a series of resources to support young people aged 3-16 and 16+ in learning how to stay in control of their financial wellbeing. These resources are inclusive for a range of learning needs, with options for British Sign Language, subtitles and screen settings. Young people can find session packs that could include one-to-one, group, or virtual sessions.<sup>64</sup>

## Charitable donations

The financial services sector is also an important source of philanthropic activity. In 2022, among FTSE 100 companies, the sector was the joint second largest source of charitable donations, accounting for 18% of the total, after the healthcare sector (22%), the same as the basic materials sector, and ahead of the consumer staples sector (14%); see Figure 15 for detail.

**Figure 15: FTSE 100 charitable donations, 2022**

Source: Charities Aid Foundation



<sup>60</sup> Young Enterprise, 'Money Heroes', (2021), available at: <https://www.young-enterprise.org.uk/money-heroes>

<sup>61</sup> Money Heroes, '2023 Impact Report', (2023), available at: [https://issuu.com/young-enterprise/docs/ye\\_moneyheroes\\_impact\\_report\\_2023\\_april23\\_sgls](https://issuu.com/young-enterprise/docs/ye_moneyheroes_impact_report_2023_april23_sgls)

<sup>62</sup> HBSC UK, 'Financial Literacy for Kids', (2022), available at: <https://www.hsbc.co.uk/financial-education/developing-learning/>

<sup>63</sup> Barclays, 'Learn about LifeSkills', (2023), available at: <https://www.barclays.co.uk/digital-confidence/lifeskills/>

<sup>64</sup> Lloyds Bank Academy, 'Financial skills', available at: <https://www.lloydsbankacademy.co.uk/financial-skills>

# Conclusion

The financial and related professional services industry continues to demonstrate its resilience during the past several tumultuous years. It continues to play an enabling role in driving economic growth, and support businesses and individuals through banking, insurance, fund management, accounting, management consulting and legal services, among others.

The industry is constantly redefining itself to support people and businesses, as evidenced during the Covid-19 pandemic and the current high-inflation environment. In addition, its traditional service models are also evolving. Through technology development, consumers benefit from digital financial services such as online banking, banking apps and contactless payments. Businesses are supported through bank lending, equity and bond financing, alternative finance and private equity, as well as accounting, management consulting and legal services.

# List of sources

Association of British Insurers (ABI)

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Bank of England

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Barclays

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British Private Equity & Venture Capital Association

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Centre for Finance, Technology and Entrepreneurship

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Charities Aid Foundation

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City of London Corporation

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Dealroom.co

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Financial Conduct Authority

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Financial Reporting Council

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HSBC

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Investment Association

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Innovate Finance

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LawtechUK

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London & Partners

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London Stock Exchange

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Ministry of Housing, Communities & Local Government

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NatWest

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