

ESG in 3D: Social

FinTech and financial inclusion

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Digest:

- The FCA has launched its DEI Innovation Spotlight initiative, directed at FinTech firms, as part of their drive to improve financial inclusion.
- Firms can apply to “road test” products or services on real consumers or gain a better understanding of the FCA regulatory regime.
- Current economic conditions mean that the financial wellbeing of consumers should be a higher priority than was the case a few weeks ago.
- As research shows that a more diverse team delivers improved innovation, some firms may want to revisit how they recruit to strengthen their position.
- A BAU approach is unlikely to serve most firms well.

Source/Context:

In late August the FCA publish a webpage to announce the launch of its [Diversity, Equity and Inclusion \(DEI\) Innovation Spotlight](#), an initiative designed to encourage FinTech firms to develop innovative products focused on the DEI space.

The webpage dated 24 August 2022 notes that “The financial wellbeing of consumers has been impacted by current economic pressures, and many people are struggling financially because of the rising cost of living.”

Current volatility in the economy, including its effect on interest rates and exchange rates, has added a new level of urgency to the initiative.

The FCA consider that FinTech has an important role to play in driving financial inclusion and is asking firms wanting to launch an innovative product or service that focuses on fair treatment of consumers, vulnerability, and the new Consumer Duty, to work with them to promote diverse and inclusive culture, governance and practices across FinTech.

The FCA is keen to support applications from firms whose business models also target underserved, or unrepresented consumers.

What does this mean for the FS and other industries?

FinTech firms should view the DEI Innovation Spotlight as an opportunity to experiment in innovative ways to develop new products and services for consumers who may not have been their focus before. Previously untapped markets should emerge.

Research has shown a significant correlation between firms with a diverse team and overall innovation. Some FinTech firms may therefore want to review their recruitment practices to place themselves in the strongest position to innovate.

Challenging economic conditions seem set to continue for some time. Firms that flex and innovate, including in the ways encouraged by this FCA initiative, are more likely to thrive than those who take a BAU approach.

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