

All About the Gains

Democratising Access to Wealth-Building
Through Uk Fintechs

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STARTUP
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About Startup Coalition

Startup Coalition, formerly the Coalition for a Digital Economy (Coadec), is an independent advocacy group that serves as the policy voice for Britain's technology-led startups and scaleups. Startup Coalition was founded in 2010 by Mike Butcher, Editor-at-Large of technology news publisher TechCrunch, and Jeff Lynn, Chairman and Co-Founder of online investment platform Seedrs. Startup Coalition works across a broad range of policy areas that matter the most to startups and scaleups: Access to Talent, Access to Finance & Regulation.

Methodology

The data in this report is the result of polling commissioned by Startup Coalition and conducted by Public First. Public First conducted an online survey of 1,010 adults in the UK between 18–20 June 2025, alongside a booster sample of 203 investors, defined as adults who invest some of their own money (excluding those investing only through a stocks and shares ISA). Results from the nationally representative survey are weighted using Iterative Proportional Fitting ('Raking'), with weights applied by interlocking age and gender, region, and social grade to nationally representative proportions. Results from the investor booster sample are unweighted.

Executive Summary

Widespread pessimism about the economy and an entrenched bias toward saving over investing is limiting household wealth-building and holding back growth in the UK. Startup Coalition's research, based on polling 1,000 UK adults, finds that only half of Britons invest at all, and nearly £400bn of household savings has been eroded by inflation due to underutilisation of investment opportunities.

While three-quarters of Britons expect the economy to worsen, almost half remain optimistic about their own financial future, especially younger people, who are more likely to invest, experiment with new asset classes like crypto, and trust digital-first solutions. This optimism underscores both the appetite and the opportunity to take risk, and democratise access to wealth-building. Our findings highlight several central barriers to greater participation in investment, including:

- **Financial illiteracy:** Nearly half of Britons know little or nothing about investing, with knowledge strongly correlated to social grade and education.
- **Limited access to affordable advice:** Only 9% received regulated advice last year, while one in five do not access advice from any source.
- **Regulatory and market frictions:** Outdated frameworks for advice, investor categorisation, payments, and financial data restrict innovation and limit consumer choice.

Meanwhile, the UK WealthTech sector, consisting of startups offering products and services to support customers build wealth, is worth at least £9bn and employs over 10,000 people. These startups already support financial education, advice, and execution through accessible, AI-enabled platforms. Unlocking their potential requires proportionate regulatory reform and targeted policy support. To achieve this, Startup Coalition's blueprint for democratising wealth-building rests on three pillars:

1. **Education:** Embed financial literacy into schools, realise the potential of the Junior ISA, and empower fintechs to deliver consumer-friendly financial education. Close the "advice gap" through the new FCA Targeted Support regime, optimised for AI-enabled WealthTechs, and update definitions of financial advice to account for generative AI.
2. **Empowerment:** Deliver an Open Finance framework to unlock pensions, savings, and investment data, and expand Variable Recurring Payments (VRPs) to investment platforms, enabling intelligent automation of contributions.
3. **Execution:** Modernise ISAs to broaden eligible assets and reduce friction, and create an "Emerging Investor" category to widen participation in higher-growth opportunities like private markets, while maintaining proportionate safeguards.

Reforming financial education, advice, and access to investment is an economic and social imperative. Broader participation would not only expand capital for UK businesses but also spread the benefits of growth more widely across society, strengthen household resilience, and cement the UK's position as a global leader in WealthTech.

This report sets out a roadmap for Government, regulators, and industry to work together to make the UK the world leader in democratised investing, ensuring that the gains of growth are shared by the many, not the few.

Introduction

In 2025, seeking opportunities to unlock growth across the UK economy has been the single most important objective of the Labour Government. With this in mind, Startup Coalition embarked upon a project to examine steps to engage Britons in this wealth-building agenda, specifically through a suite of policy reforms that would enable more people to make the most of their money.

Our research was set against the backdrop of the UK's ongoing economic morass. Confidence in the general economic condition of the UK has never been lower. Three in four (75%) Britons believe the economic state of the country will worsen over the next 12 months, with the net pessimism rate lower than that during the 1980 recession under Margaret Thatcher, the winter of discontent, the global financial crisis of July 2008, and the cost-of-living crisis triggered by the Pandemic and the invasion of Ukraine in June 2022.¹

The Labour Government has drilled home that the country's finances are in a mess. An infamous "22bn black hole" was left in their in-tray in July 2024, and successive steps over the last year and a half have failed to restore the kind of confidence that the Government is after.

To understand how people across the UK felt about this state of affairs, and how they were managing their finances in response, we asked 1,000 UK adults a range of questions about their views on the economy, their personal finances, and how financially empowered they felt. We then asked 200 "active investors" the same questions. The results were mixed to say the least.

The purpose of our research was to unlock clues as to where the Government can increase access to wealth-building for the masses, through targeted interventions, proportionate, outcomes-based regulatory interventions, and harnessing the potential of WealthTech startups across the UK.

WealthTech startups, a sub-sector of the Fintech sector, make a business out of helping people to make the most of their money. Through clear, affordable, and accessible experiences, they support financial education, empowerment, and execution, helping users to budget and plan for their futures. They are often doing so with the help of cutting-edge artificial intelligence (AI) and machine learning, deployed to optimise consumer outcomes.

The UK is a hub for these startups, and they are central to any Government agenda to unlock democratised access to wealth-building.

¹ <https://www.ipsos.com/en-uk/ipsos-economic-optimism-index-falls-historic-low>

Our Research

Poor Returns

At a household level, UK adults that participated in our study are split on their own personal economic outlook, though 30% felt at least slightly worse off than they did the year before, 37% reported feeling at least slightly better off.

Those in more affluent social grades felt generally better off than those in less affluent social grades, while nearly half (46%) of UK adults felt optimistic about their financial future. Just under a quarter (24%) said they felt pessimistic about their financial future. Again, those in more affluent social grades were generally more optimistic than those in less affluent social grades.

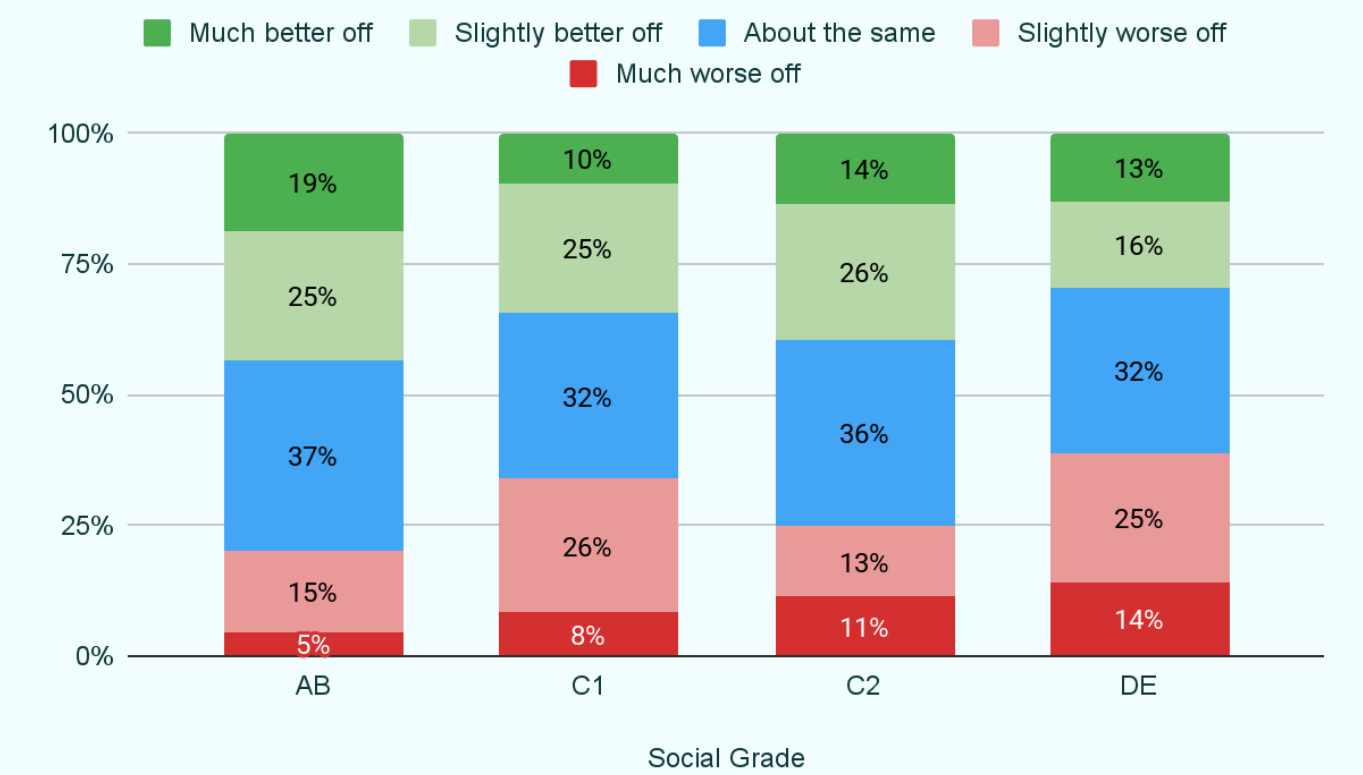


Figure 1, Do you feel better or worse off today compared to the same time last year? Responses split by social grade.

There are a multitude of reasons why we find ourselves in this economic quagmire, but, at a household level, one key issue is exposed by Startup Coalition’s new research: across the UK, people are failing to make the most of their money. Large pools of savings remain under-deployed, long-term growth is being sacrificed, and participation in investment opportunities, especially among less affluent individuals, is too low.

Our research found that only 50% of UK adults invest their money. This is higher than similar studies, perhaps as we included a range of investment assets in scope, including property, but still demonstrates that millions of UK adults are failing to make the most of their money.² The most popular assets to invest in are public stocks through a stocks and shares ISA, with 47% of all investors using the product. After that, investment funds and public stocks and shares not through an ISA were the most popular.

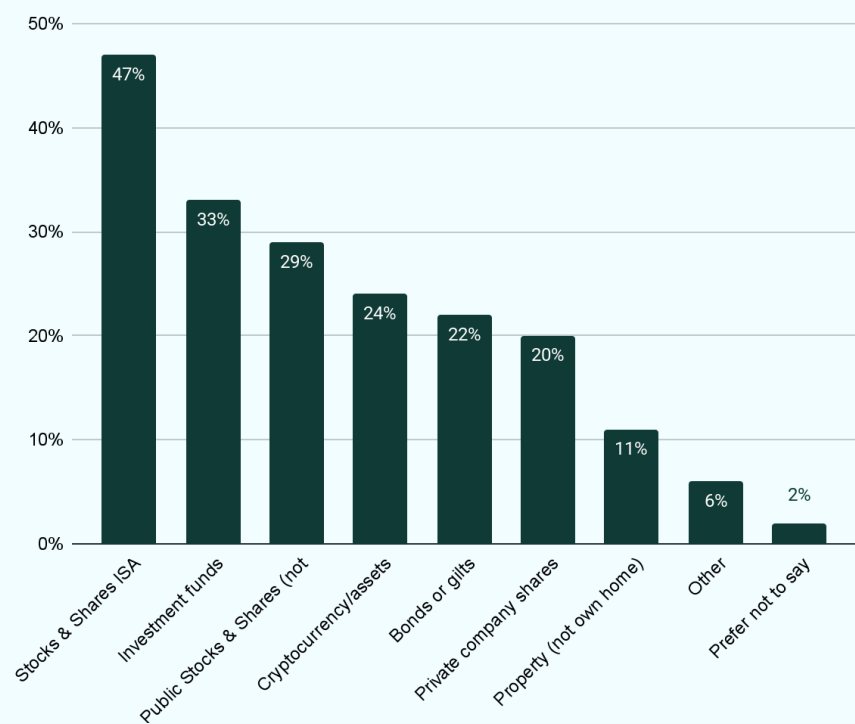


Figure 2, Which of the following are you currently investing in? Select all that apply

Despite the popularity of these investment products, there is a persistent bias towards saving over investment in our data. When given the scenario of a surprise £1,000 gift landing in their bank account, the most popular course of action among respondents to our survey was to put the money into a savings account. If they were asked again but told that they were unable to spend the money, this further entrenched a bias towards saving. Nearly half of Brits know “not very much” or “nothing at all” about investing.

Understanding of investment tracks social grade and educational attainment, with two thirds of respondents in social grade AB saying they knew at least “a moderate amount” about investing, compared to a near identical proportion of respondents in social grade DE who knew “not very much” or even less. Meanwhile, respondents in receipt of a university degree were three times as likely to know at least a “moderate amount” about investment as those whose highest educational attainment was a GCSE or equivalent.

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<https://www.theia.org/sites/default/files/2024-10/Investment%20Management%20in%20the%20UK%202023-2024.pdf>

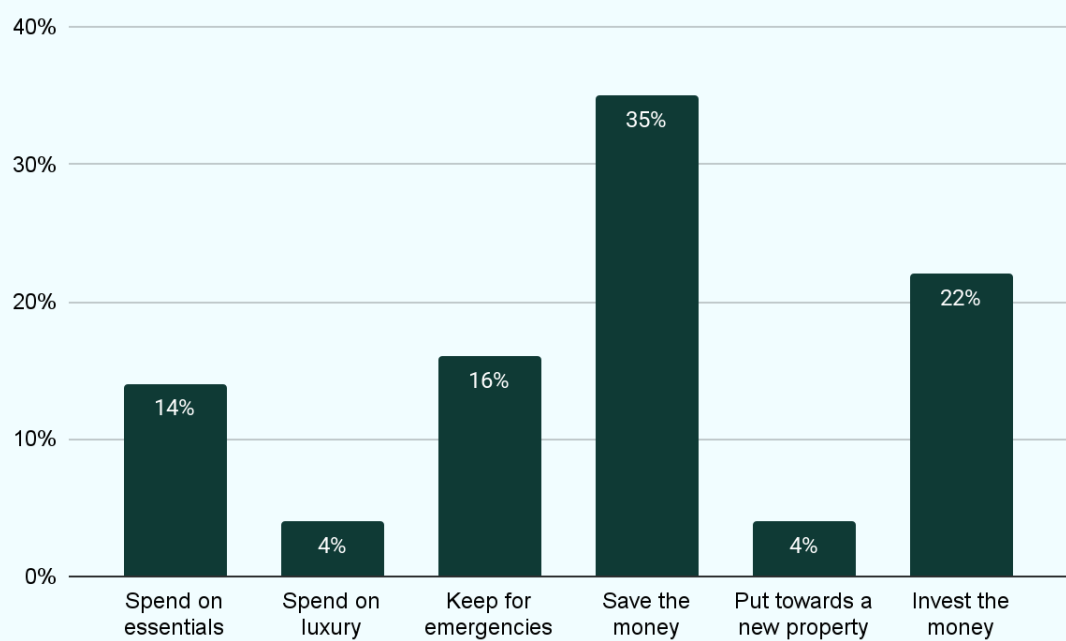


Figure 3, Imagine you were paid £1,000 today. Which of the following would you be most likely to do?

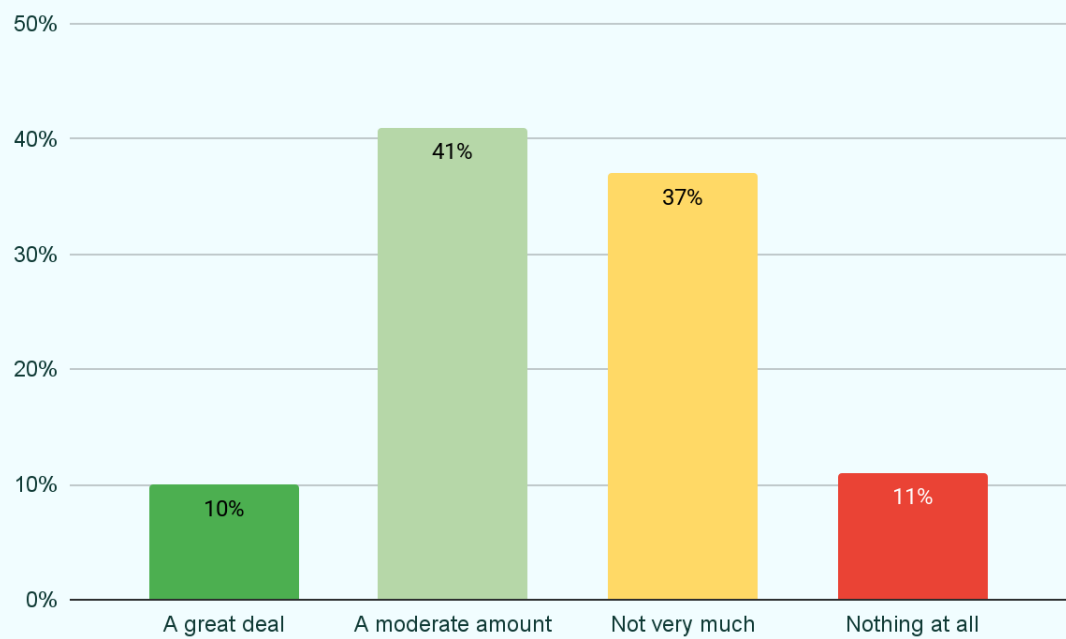


Figure 4, How much do you know about investing?

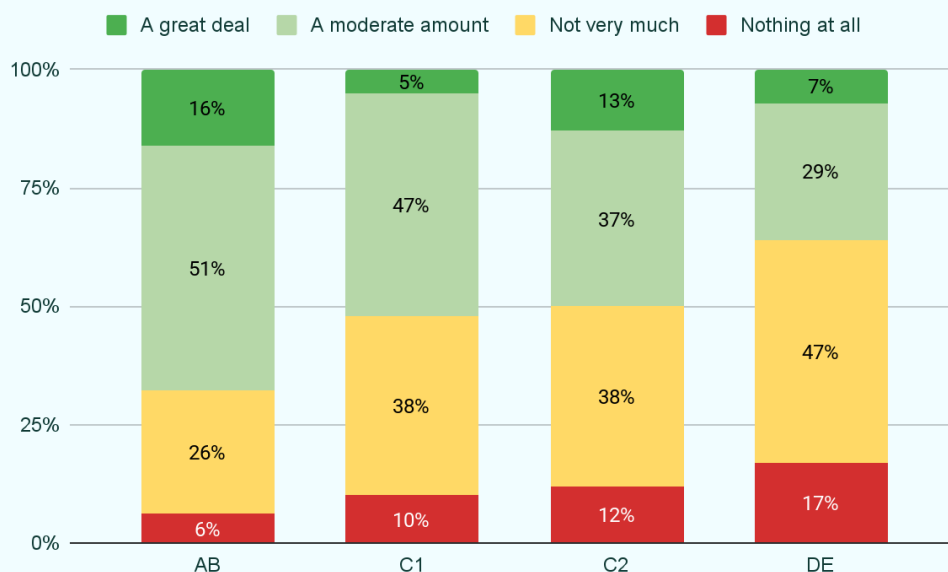


Figure 5, How much do you know about investing? (Broken down by social grade)

This lack of understanding and utilisation of investment opportunities is not trivial. Indeed, at Startup Coalition, we believe that fixing this disparity is an economic and social imperative. Since the pandemic, UK households have accumulated roughly £870bn in excess cash or cash-like deposits.³ According to JP Morgan, around half of this value has not been invested. Due to rampant inflation, over £400bn in assets owned by UK adults has depreciated in value by around 9%. Had this money been invested into a global portfolio of stocks, such as the MSCI All-Country World Index, the same value would have increased by around 39%. Indeed, over the past five years alone, savers have lost about 11p in every £1 in real terms in the UK due to inflation outpacing bank rates, eroding purchasing power.⁴

Long-term historical trends show that investments in UK equities deliver significantly higher real returns than cash or gilts.⁵ Barclays data illustrates that investing £10,000 in UK shares from 2020 to 2024 would have grown to £12,648, versus only £10,302 in a typical savings account. Over any two-year period the probability of equities outperforming cash is 69%, whilst over a ten-year period, this rises to 91%.⁶ Our findings reinforce these statistics through the lens of perception of wealth-building. Respondents to our poll that actively invest are more likely than average to feel better off than they did a year ago, and more optimistic about their financial future. This includes active investors with declared assets below £50,000.

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<https://am.jpmorgan.com/gb/en/asset-management/institutional/insights/market-insights/retirement-and-the-role-of-the-uk-state/the-uks-savings-opportunity>

⁴ <https://www.thetimes.com/business-money/money/article/poor-savings-rates-inflation-rr3w6vgfk>

⁵ <https://www.barclays.co.uk/smart-investor/new-to-investing/before-you-start/should-you-save-cash-or-invest/>

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<https://privatebank.barclays.com/content/dam/privatebank-barclays-com/en-gb/private-bank/documents/news-and-insights/2023/may/market-perspectives-may-2023/IBIM11664 BAR-Market-Perspectives-May-2023-UK.pdf>

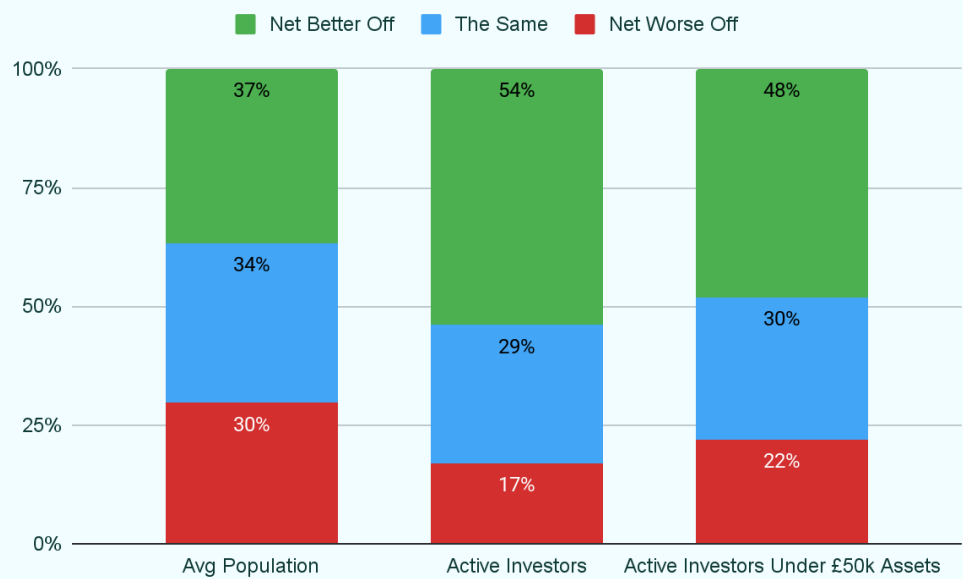


Figure 6, Do you feel better or worse off today compared to the same time last year?

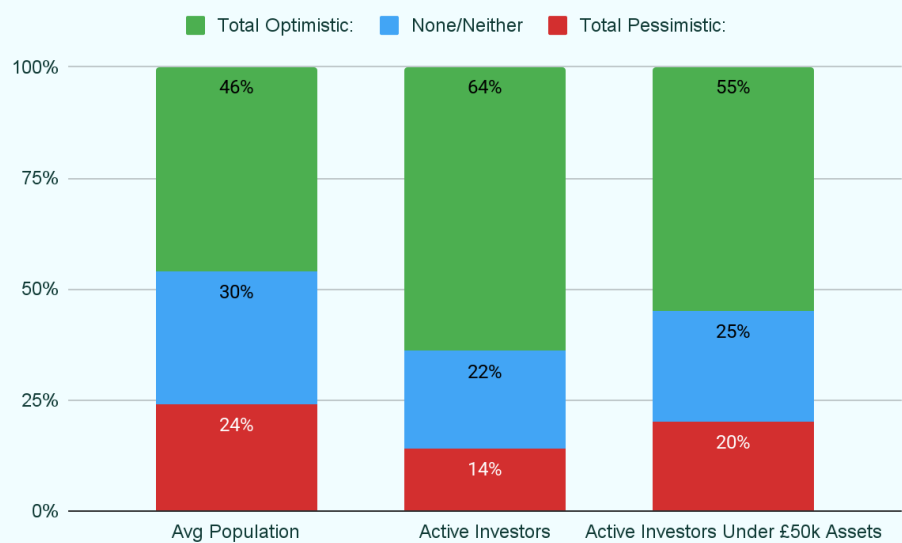


Figure 7, Thinking about your financial future, how optimistic do you feel?

Among investors, the most popular reasons to invest were to grow money over time (67%), to feel more financially secure (47%), and because interest rates on savings are too low (33%). The evidence is clear: investing can lead to outsized financial returns, leading to both the perception and realisation of wealth building. So why is it that half the population is failing to realise this opportunity?

Barriers to Wealth-Building

For too many Britons, financial illiteracy is a critical barrier to making the most of their money. We do not set up our citizens to succeed in building wealth. It is widely accepted that the UK must do better in improving financial literacy to better equip people across the UK with knowledge of financial services and to maximise their opportunities to build wealth for the future. Indeed, among parents and learners, finance and budgeting was the number one area where they would like students to spend more time between year 7 and 11.⁷

Evidence elsewhere reinforces this challenge: nearly two in five adults in the UK don't feel confident managing their money.⁸ Meanwhile 72% of surveyed young people want to learn more about money and finance at school.⁹ Previous research we have commissioned has shown that the general public does not understand how credit scores work, and one in five UK adults has never heard of the Financial Ombudsman Service.¹⁰

In this research, we asked those that don't invest to outline the main barriers to them investing their money. The main barrier to investment identified was having insufficient money, followed by deeming investment "too risky", and then not knowing enough about investing. For those that cited a lack of knowledge as a barrier to investment, 65% said that knowing how to choose what to invest in would help them, as well as understanding how to manage risk and avoid losing money (61%). Just over half (54%) of those who viewed knowledge as a barrier said that they would like to know what different types of investments mean, with an identical proportion saying they wanted to know how to pick a good investment platform or app.

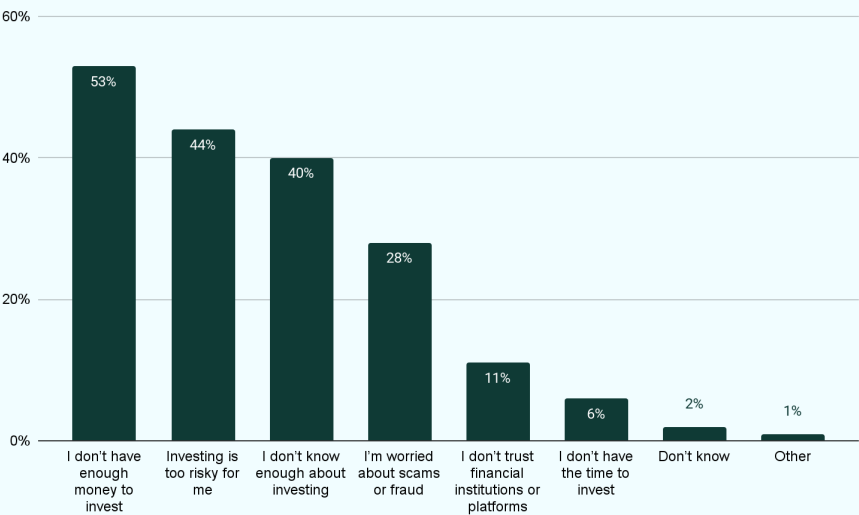


Figure 8, Which factors have prevented you from investing or investing more? (Non-investors)

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https://assets.publishing.service.gov.uk/media/6821d69eced319d02c9060e3/Curriculum_and_Assessment_Review_interim_report.pdf

⁸
<https://www.lfbf.org.uk/wp-content/uploads/2025/01/Accelerating-Progress-Financial-Capability-in-the-UK-Research-Report-2025-LFBF.pdf>

⁹
<https://www.bankofengland.co.uk/quarterly-bulletin/2022/2022-q1/financial-education-in-a-digital-world?utm>

¹⁰
<https://startupcoalition.io/u/2023/12/Startup-Coalition-CCA-Report-December-2023.pdf>

Among all adults, the most popular step to encourage more people to invest was clear and transparent fees, followed by being able to manage investments in an app and having access to a low cost financial expert for help. 80% of respondents identified at least one option from those listed which they said would make them more likely to invest.

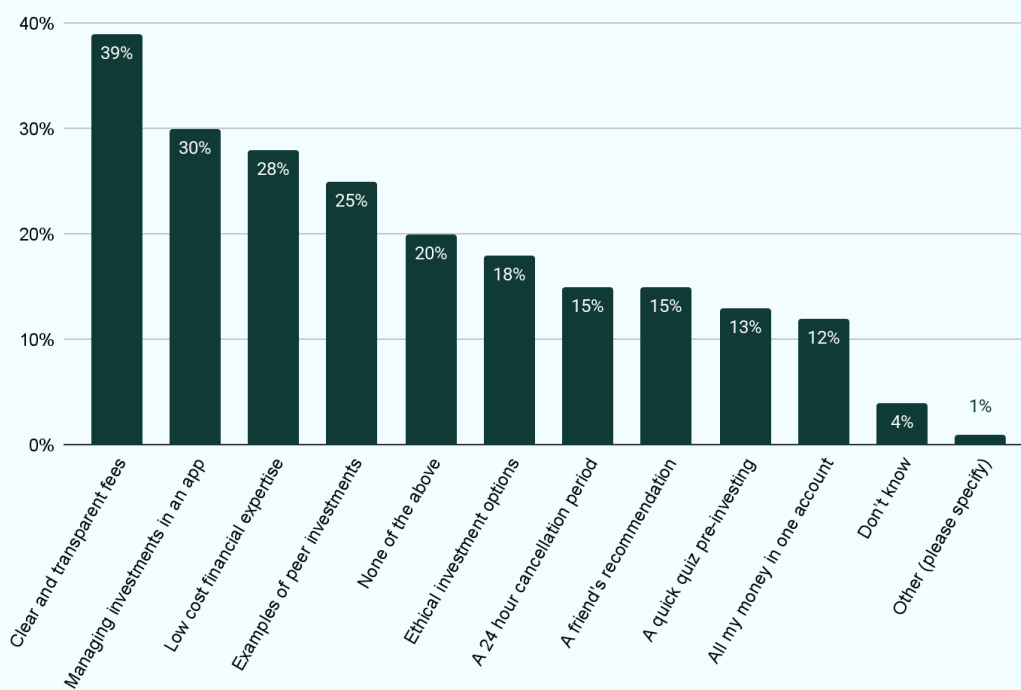


Figure 9, Which of the following would encourage you to invest or invest more of your money? Select all that apply

Our evidence found that there is a real yearning for financial advice, and yet far too few adults receive it today. Just 9% of adults received regulated financial advice in the last year, and our research found that one in five UK adults doesn't get financial advice from anywhere or anyone.¹¹ For those that do receive financial advice, the most popular source of financial advice was the respondent's bank, followed by friends and family and internet resources such as Martin's Money Tips.

Though we didn't specify, this figure for "internet resources" is not dissimilar to findings elsewhere about the use of AI for financial advice, including ChatGPT. Recent research found that when asked about using ChatGPT for financial advice, more than a third of Brits (35%) said that they would consider using it, or already have used it, for this purpose.¹² Banks were the most trusted source of financial advice among all adults in our sample, with 92% of respondents trusting them at least "a bit".

Social media was the least trusted source of financial advice among all adults, with 51% of adults reporting to not trust social media "at all" as a source of financial advice. In contrast, the most common source of financial advice for active investors was a financial advisor, with 46% of active investors using one, 21% higher than the population as a whole. The second most popular resource was internet resources, with 44% of active investors using them.

¹¹ <https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf>

¹² <https://ifamagazine.com/over-18-million-brits-have-used-chatgpt-for-financial-advice-or-would-consider-doing-so>

The Demand is There

Despite stark figures about perceived lack of knowledge, ability or access, our research found that there was a real desire for financial empowerment. More than this, there was a deep-seated awareness of the *potential* of investment. For instance, when given the choice, two thirds of UK adults viewed investing as a way to build wealth, while only 19% said it was a way to lose money. Similarly, when given the choice, more than half of respondents to our survey said that investing money in the stock market would have yielded a higher return over the last 10 years than putting money in a savings account, compared to 31% who believed the opposite. Further, despite a lack of money being the main barrier to investment, just over half of all respondents said that the minimum amount of money worth investing was £100 or less, with 11% saying that £1 was a large enough amount to justify investing.

This presents a strange problem, but a real opportunity. On the one hand, there is a disparity between the public's perception of the potential of investment, and their investment behaviours. On the other hand, this suggests that given the right support and tools, they would willingly embrace the opportunity, particularly as one demographic is already doing this more than any other.

Gen-Invest

Our findings suggest that younger adults have a very different approach to wealth-building than older adults. Firstly, younger people report knowing more about investing than older adults: 68% of younger people claim to know at least a “moderate” amount about investing, compared to just 45% of older people. This corresponds with the finding that respondents under the age of 35 are also more likely to invest their money than average. Whilst the most popular investment product for younger investors is investment in public shares through a Stocks and Shares ISA, just as it is for older investors, the second most popular investment asset for young investors is cryptocurrency or other cryptoassets, with four in ten reportedly having invested in them.

Younger respondents feel better off and more optimistic than older adults. 61% of young people feel “better off” than last year, compared to just 26% of older adults, while 65% of young people are optimistic about their financial future, compared to just 37% of older people. Indeed, when given a choice about whether investing helps people build wealth or lose money, a larger share of younger adults believe that investment helps people build wealth (74%) than older adults who believe this (63%).

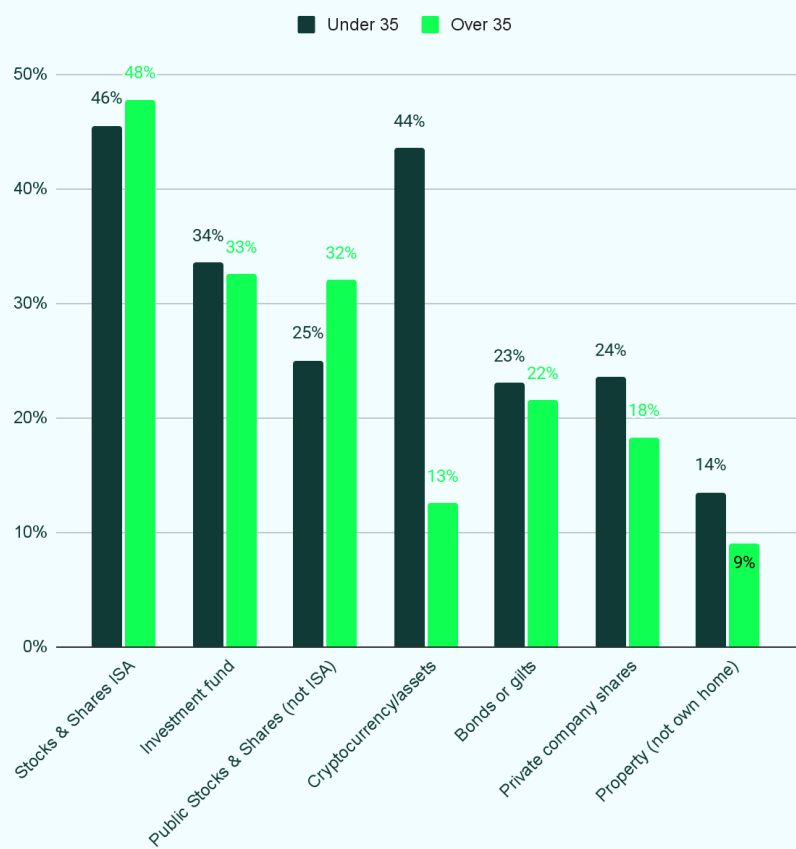


Figure 10, Which of the following do you currently invest in? (Investors split by above/under 35 years old)

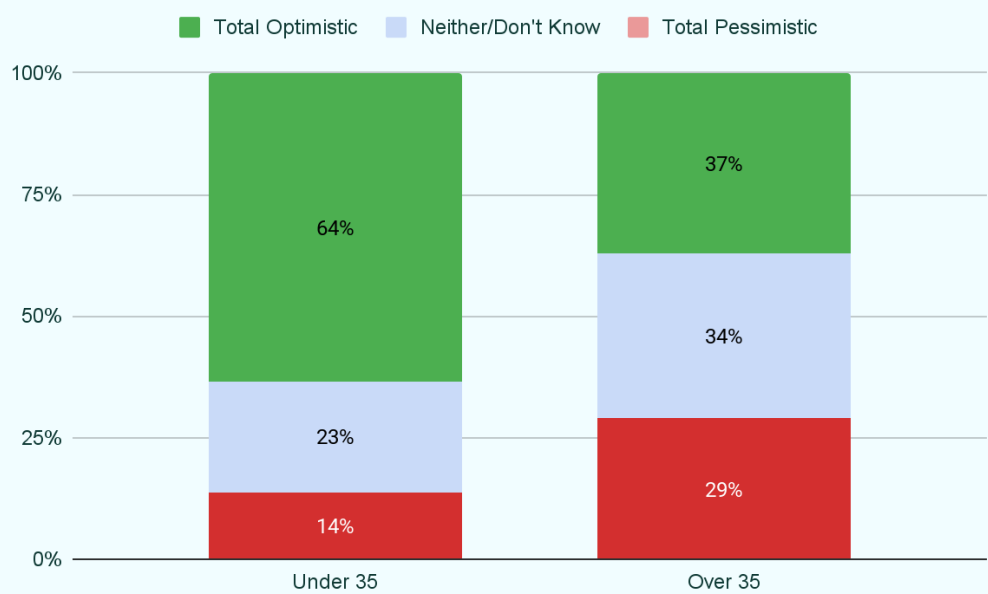


Figure 11, Thinking about your financial future, how optimistic do you feel? (Split by above/under 35 years old)

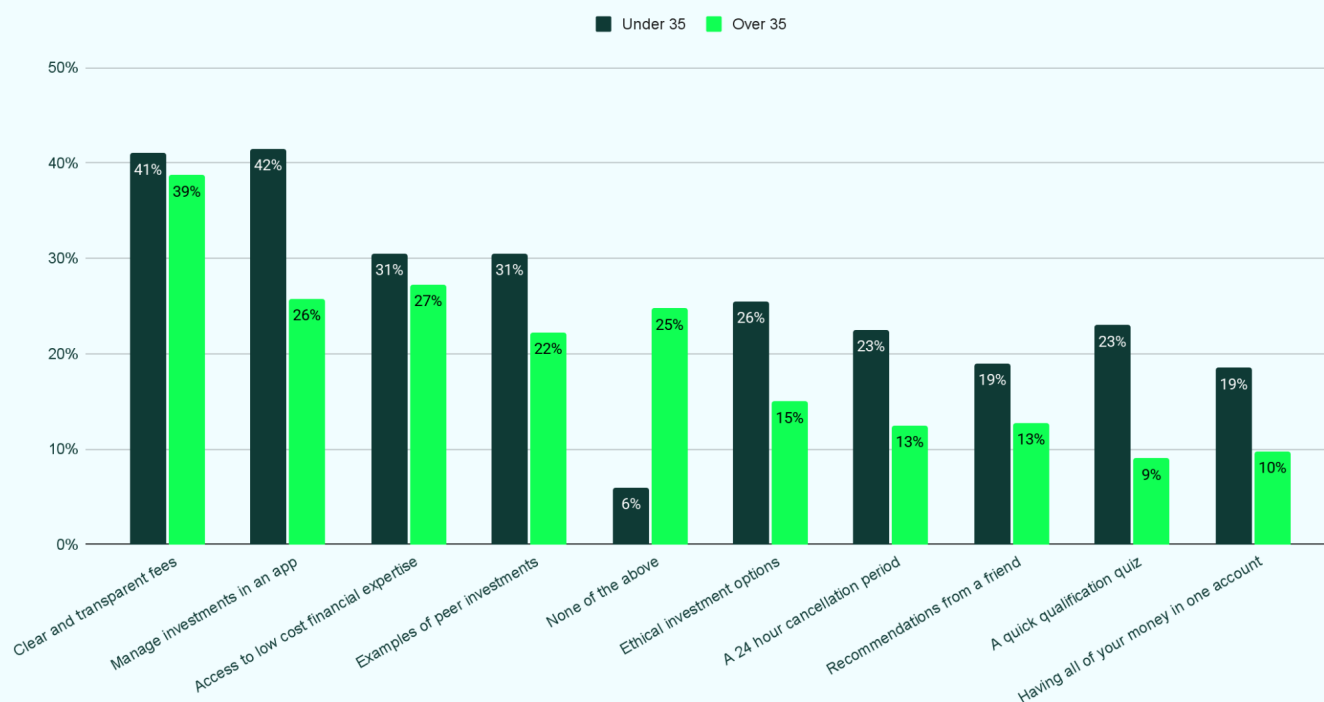


Figure 12, Which of the following would encourage you to invest or invest more of your money? Select all that apply (Split by under/over 35 years old)

The most common source of financial advice for young people was friends and family (46%), with the most common source for older respondents being internet resources like Martin's Money Tips (33%). Indeed, only 9% of young respondents said they do not get financial advice from anywhere, compared to over a quarter (26%) of those over the age of 35. Younger respondents are far more likely to trust social media for financial advice, with 71% trusting social media at least "a bit", and 12% completely trusting it as a source of financial advice. In contrast 62% of those over the age of 35 believe that social media is not to be trusted "at all" for financial advice.

Unsurprisingly, younger people value digital banking more than older adults: 89% of respondents under the age of 35 use online banking, compared to 82% of those over 35. Younger people were more open to measures to promote investment in general, with just 6% of respondents saying that none of the listed steps would encourage them to invest more, compared to a quarter of respondents over the age of 35.

For non-investing respondents, being able to manage investments in an app was the single biggest step that could be taken to encourage investment among younger respondents (42%), with only 26% of those over 35 saying it would encourage them to invest more. This paves the way for a core enabler of democratising access to wealth-building: UK WealthTechs.

Exponential Growth: UK WealthTech

The UK WealthTech sector is a lively and growing ecosystem of startups and scaleups developing technology to bring wealth-building to the masses. This includes supporting financial education and literacy, empowering users to make decisions and plan for their long-term financial future, as well as to execute investment opportunities in a wide range of assets based on their own financial means, and risk appetite. They do so in a digital-first, often AI-enabled way. 84% of respondents to our survey said they were using mobile banking, and WealthTech features are now common in many financial apps.

Today, the value of the UK-based WealthTech ecosystem is at least £9bn. As part of this research Startup Coalition looked at 286 UK WealthTech startups, which combined employ over 10,000 people in the UK and have raised nearly £3.3bn since 2010.¹³ London is the epicentre of UK WealthTech, with 69% of firms in our sample based in the Capital.

Looking at the sector in more detail:

- 58% are B2B only, with 42% including a B2C element. 31% are solely B2C.
- 25% of the firms are involved in financial advice, with one in five of these firms involved in financial serving up a direct to consumer financial advice app.
- WealthTech firms involved in financial advice constitute only 5% of the total value of the WealthTech sector.
- 15% of UK WealthTechs have developed a direct to consumer investment platform app
- Investment platform startups are worth £3.5bn, or 40% of the total value of the sector, and have raised 31% of the total funds raised by the whole sector.
- Whilst 69% of startups in the WealthTech sector sample that we identified were headquartered in London, other hubs for WealthTech innovation include the South East, East and North West of England, as well as Scotland.

WealthTechs simultaneously offer a pathway to building growth, and a growth opportunity in of themselves. They are at the vanguard of digitally-enabled financial literacy and innovative financial education. For the Government, they are allies in its mission to increase financial inclusion and empower more people in the UK to make the most of their money.

For Startup Coalition, there are two key ingredients to unlock investing at scale, across the UK. The first is the thriving WealthTech startup ecosystem, which is already driving significant growth and financial opportunity across the UK. The second is a policy and regulatory revolution. Startup Coalition's blueprint for democratising access to wealthbuilding through investment has three fundamental steps: education, empowerment, and execution.

¹³ Data was taken from Beauhurst, with the sample pulled on 24th July 2025. All data is correct up to this date.

Step 1: Education

Financial Literacy

At the foundations of a financially empowered population is financial education. In its January 2024 “Financing Growth Report” the Labour Party set out a bold ambition to develop a national financial inclusion strategy, designed and implemented by a Financial Inclusion Committee. This programme of work would “increase access to financial literacy education in schools and colleges. Digital inclusion is also a critical enabler for financial inclusion, and the committee will consider how the government and industry can support the 3.9 million digitally excluded individuals.”¹⁴

Since its election in July 2024, the Labour Government has hit the ground running: the Financial Inclusion Committee’s first meeting was in December 2024, and there have been two subsequent meetings. Meanwhile, in July 2024, shortly after the election, the Department for Education launched a Curriculum and Assessment Review, scheduled to conclude in the autumn of 2025, which will include a review of the teaching of financial literacy.

Meanwhile, in May 2024, the Education Committee delivered a special report on delivering effective financial education and outlined a number of recommendations.¹⁵ These included that pre-16 maths involved more financial content. Whilst the Government-funded Oak National Academy has provided useful resources to contribute towards this expansion of financial education, the Committee states that it should not be “the only vehicle for delivering such an important development”.¹⁶ Further, the Committee advocated that the post-16 mathematics programme “includes financial literacy as a fundamental part of the curriculum,” potentially with “a specific qualification in financial literacy which could fit into the Advanced British Standard as a minor subject”.

WealthTechs can be a core enabler of financial literacy, not least because they are digital-first, and have trailblazed best in class user experience to simplify complex content and increase consumer choice. To date, however, it is unclear that the sector has been engaged sufficiently with the Government’s financial literacy agenda. We recommend that:

- 1. The Financial Inclusion Committee should consult with Fintechs on opportunities to leverage innovation and technology to promote financial literacy and inclusion.**
- 2. Fintechs should be directly included in the implementation stage of the curriculum review to support designing content for financial education.**

¹⁴ <https://labour.org.uk/wp-content/uploads/2024/01/Financing-Growth.pdf>

¹⁵

<https://publications.parliament.uk/pa/cm5804/cmselect/cmeduc/265/report.html#:~:text=Incorporating%20financial%20education%20training%20from.signposted%20throughout%20a%20teacher's%20career.>

¹⁶ <https://www.thenational.academy/>

Pay Kids to Learn about Money

One of the key narratives of our polling results was the disjuncture between the actual take up of investment products, and the perception of the power of investing. A lack of money was cited as the main barrier to investment across Brits that we polled. Six in ten non-investors with assets under £50,000 told us that they didn't invest because of a lack of available funds. However, just over half of all respondents said that the minimum amount of money worth investing was £100 or less, with 11% saying that £1 was a large enough amount to justify investing.

To break down this perceived barrier to investing, we believe that the Government has a role in helping people get familiar with wealth-building from an early age: this is not just an academic exercise but a practical one. The last Labour Government knew this and introduced £250 “baby bonds” under Prime Minister Gordon Brown, but these suffered from little engagement and were ultimately a casualty of austerity.

Today, Junior ISAs (JISAs) provide a tax-advantaged savings/investment wrapper for under-18s, opened and managed by a parent or guardian. Children gain full control at age 18, with 16 year olds able to become the registered contact today. Despite steady uptake, many accounts are passively managed, with low child engagement and limited understanding of compounding, risk and diversification.

As outlined above, financial literacy is at the bedrock of enabling more people to make the most of their money. Combined with this, the Consumer Duty requires firms to pursue good outcomes, creating an opportunity to use JISAs as a delivery vehicle for financial capability. We believe that the JISA is an under-utilised policy lever for the Government. To remedy this, we propose two ideas which can help support financial literacy, as well as breaking down the perception that no amount is too little to begin your wealth-building journey.

Firstly, from the age of 12, children should receive view-only access to their JISA balance, including transactions, contributions, performance and goals. No transactions should be made without explicit parental/registered contact approval until age 18, in line with the current rules for 16 and 17 year olds. Lowering this age threshold presents an opportunity for children to feel more ownership of their account, engage more closely with the mechanics of saving and, if designed with close collaboration between the regulator and Fintechs, presents a real opportunity for innovative financial literacy.

Secondly, if the Government introduces formal financial education into the school curriculum, we propose that it explores a way to directly pay students to complete financial literacy modules, through disbursements directly into their JISAs. One model for delivering this could be through a top up into a child's JISA when they complete approved literacy milestones. As an illustrative example, for each of the below, the Government could contribute £20 into a JISA:

- Level 1 (ages 11–12 - Year 7): Budgeting basics, saving goals, simple interest vs compounding.
- Level 2 (ages 12–13 - Year 8): Inflation, risk/return, diversification, scams and fraud.
- Level 3 (ages 13–14 - Year 9): Long-term investing, pensions, credit and APRs, tax basics.

This would have the dual effect of making financial literacy meaningful by converting abstract lessons into real financial stakes, whilst also redistributing wealth to the younger generations. We estimate that a £20 payment for each module would equate to around £15m per year group, meaning the overall cost of

the scheme would rise from £15m in year one to £30m in year two and then £45m annually from year three onwards.

Alternatively, there could be a role for industry to play in matching funds by the government in order to be recognised as an approved JISA provider linked to the curriculum. Either way, we believe that the Government should explore direct payment as an incentive for participation in financial literacy classes. In order for this to function equitably, it will be critical for as many students as possible to have an ISA so the Government would need to consider how to increase uptake, working with providers.

In sum, we propose that:

- 3. Children should receive view access of their JISA balance from the age of 12.**
- 4. The Government should compensate students for completing financial education courses through payments into JISAs.**

Financial Advice

Beyond financial education in schools, the next opportunity to maximise the effectiveness of WealthTechs in supporting financial literacy across the UK is through reforms to the financial advice regime, to maximise the number of UK adults who can access high-quality, cheap financial advice.

Many consumers need help with their financial decisions but are unable or unwilling to pay for full, regulated financial advice, which is often expensive and tailored toward wealthier individuals. This results in investor uncertainty, people defaulting into cash holdings or making suboptimal investment decisions, and the underutilisation of tax-efficient products like stocks and shares ISAs or pensions.

There is widespread evidence that many UK adults are failing to save enough for retirement. As part of their recent relaunch of the Pensions Commission, the UK Government published evidence that retirees in 2050 are on course for £800 or 8% less private pension income than those retiring today, 15 million people are undersaving for retirement, and 45% of working age adults save nothing at all into a pension.¹⁷ As covered above, our evidence found that one in five UK adults doesn't get financial advice from anywhere or anyone today.

When asked about steps to encourage them to invest more, being able to access low cost financial expertise was one of the more popular measures, particularly among 25-34 year olds, where it was the second most popular step after transparent fees.

Under current UK rules, providing personalised financial advice constitutes a regulated activity and brings compliance obligations. Consequently, giving targeted, useful nudges that could be seen as

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<https://www.gov.uk/government/news/government-revives-landmark-pensions-commission-to-confront-retirement-crisis-that-risks-tomorrows-pensioners-being-poorer-than-todays#:~:text=Without%20action%20tomorrow's%20retirees%20are,likely%20to%20be%20pension%20saving.>

advice incurs regulatory burden leading to consumers only getting generic guidance, which may not help them act confidently and innovation in consumer support is constrained.

This leads to the “advice gap” where:

- People may miss out on long-term investment growth.
- There’s a risk of poor retirement planning.
- Trust in financial services may decline if people feel unsupported or confused

This is a social and economic harm, and closing the gap could reap all manner of societal rewards. The FCA’s own research has found a 10% increase in wealth in the years following advice, relative to those who did not get advice.¹⁸

Targeted Support

The new targeted support regime, announced in June 2025 represents a huge opportunity to close the advice gap, and we know of many Fintechs ready to deliver upgraded advice services as a result. The new regime is the result of a multi-year Advice Guidance Boundary Review (AGBR) conducted by the FCA. This new regime is designed to sit between generic information and fully regulated financial advice, allowing firms to provide suggested actions tailored to groups of consumers with similar circumstances, without needing a full personalised recommendation. A quarter of respondents told us that seeing examples of what other people like them invest in would encourage them to invest more, including three in ten 18-24 year olds, suggesting real appetite for this sort of support. To make the most of this new service, however, it must be optimised to unlock innovation in a way that maximises effective outcomes for consumers. Consequently, we recommend that:

5. The FCA’s Targets Support regime should be optimised for digital-first, AI-enabled WealthTechs

There are many ways this could be achieved. Firstly, we think that there is an argument to be made that targeted support *should not require a variation on permissions*. Instead, firms could be required to merely notify the FCA that they will be providing the new service, or in lieu of any notification, the FCA should publish guidance on applying the Consumer Duty to Targeted Support for firms to follow. Importantly, the goal should be to lower barriers to the provision of the new service.

Secondly, the current approach to pre-defining scenarios to provide targeted support and pre-define consumer segments proposed in the Summer 2025 FCA consultation paper is not fit for purpose.¹⁹ Asking firms to outline exactly the scenarios they will employ and segments they will target in advance does not optimise outcomes. It is critical that this be reframed around principles of application, and outcomes aligned with the consumer duty. Prescription hinders firms and harms customers.

¹⁸

<https://www.fca.org.uk/publication/research-notes/bridging-advice-gap-estimating-relationship-between-financial-advice-wealth.pdf>

¹⁹ <https://www.fca.org.uk/publication/consultation/cp25-17.pdf>

Thirdly, anonymised aggregated shared data, such as through open banking connections, should be permitted for segmenting, subject to privacy law. This would enable more accurate application of targeted support.

Fourthly, the use of AI should not just be accommodated, but celebrated. Guidance could be refined to permit firms to use AI or algorithms to generate or deliver suggestions so long as outputs are within the predefined segmentation framework and firms remain responsible for them. A safe harbour for AI use, provided it meets Consumer Duty outcomes, would encourage innovation without undermining protection.

Finally, well-diversified or moderate-risk products within suggestions should be allowed. For example, a ready-made portfolio that includes a capped allocation to a higher-risk asset could be permissible if accompanied by risk warnings.

Advice in an Era of Generative AI

Startup Coalition is unambiguously supportive of the new Targeted Support Regime but believes that there is an elephant in the room: **the era of generative AI now means that there is free, high quality financial advice available to everyone.** ChatGPT and other generative AI chatbots give useful, accurate, and proportionate advice, free of charge, without FCA oversight.

At Startup Coalition, we believe that the provision of high-quality financial advice to the masses is a good thing. This democratises access to financial education and advice in an unprecedented way. For instance, as part of this research, we plugged the following prompt into four of the most widely used AI chatbots, ChatGPT, Claude, Google Gemini, and Perplexity:

"I am a 35 year old male based in the UK. I have an income of £40,000 per year, am married with a mortgage, paying £1,400 per month. I have £6,500 in savings, half in a cash ISA. I have recently been gifted £1,000. Tell me what to do with this money."

In the appendix, you can see the first responses to this prompt from each chatbot. All four of the responses have significant similarities, but notable differences. For instance, all of these recommendations focus on the need to reinforce an emergency fund, however only one, Google Gemini, included an explicit disclaimer at the start that it is not a financial advisor, and that its response must not be considered explicit advice. Two of the chatbots, ChatGPT and Gemini, explicitly advocated for a specific course of action, while only one, Perplexity, included guidance on what *not* to do.

It is clear that there is a balance to be struck between harnessing the incredible potential of generative AI chatbots to unlock financial literacy, and the potential harm that could be taken through the ambiguity of the advice/guidance/information boundary. It is remarkable that AI, algorithms and chatbots were not a central part of the AGBR and means the FCA's work in this space risks being already out of date. It is critical that the FCA remedy this as part of both the role of Targeted Support, and broader work around financial advice.

Step 2: Empowerment

Open Finance

If we are able to better equip UK adults to make financial decisions and make more of their money, the next step is to empower them to take action. But today, the UK's approach to investment suitability assessment remains trapped in an analogue mindset despite living in a digital age. When individuals seek to invest today, they encounter a sub-optimal system built on static questionnaires and point-in-time assessments. This antiquated approach not only fails to protect consumers adequately but actively excludes many who could benefit from investment opportunities while creating unnecessary friction for those who do participate. The result is a system characterised by excessive caution, missed opportunities, and a fundamental misalignment between regulatory intent and market reality.

The UK has already built the foundation for solving these problems through Open Banking, which enables secure, consumer-consented sharing of current account data. Over 15 million consumers now use Open Banking regularly, demonstrating public acceptance of data sharing for better financial services. The expansion to Open Finance, covering pensions, investments, savings, and mortgages for instance, would supercharge the ability for firms to understand prospective user circumstances. This was a central contention of Startup Coalition's February 2025 report on "Making Smart Data Happen", produced in partnership with the Tony Blair Institute.²⁰

Open Finance offers transformative potential for a progressive government committed to improving economic inclusion, transparency, and innovation. Open Finance can support the Government's goal of increasing financial literacy, delivery of the Pensions Dashboards programme, and increasing financial transparency. These efforts empower citizens with better insights into their financial health, fostering informed decision-making and long-term financial resilience. Open Finance can also streamline processes like tax accounting, improving accuracy and reducing administrative burdens.

Open Finance will also be a key driver of economic growth. Consider that Open Banking included only a handful of products within its scope but has already been used by 15 million people, led to the creation of a £4bn startup sector, and the sector has already seen 17 exits.

While Open Banking is popular, Open Finance would create more possibilities for consumers, opening up a richer ecosystem of fintechs for consumers. Consumer financial data is often fragmented and spread across multiple providers. With more comprehensive coverage, Open-Finance enabled products can become more inclusive and tailored, serving a wider range of consumers and addressing previously unmet needs. This transparency would support prospective investors to understand their true financial capacity, which is important as feeling like they don't have enough money to invest was the number one barrier to investment identified in our polling.

Open Finance was also a Labour Party manifesto commitment. The passage of the Data Use and Access Bill now means that Ministers have the power to introduce an Open Finance scheme. And yet, Open Finance was not mentioned in the July 2025 Leeds Reforms. Progress has stalled, leaving a gap

²⁰ <https://startupcoalition.io/news/making-smart-data-happen/>

between consumer and financial services sector demand, and regulatory reality. Open Banking APIs can provide real-time visibility of income patterns, expense categories, account balances, and cash flow trends. Machine learning algorithms can identify financial stress, predict future cash needs, and assess true risk capacity based on actual behavior rather than hypothetical questionnaires. But Open Banking barely scratches the surface of emancipating consumer financial data, with non-current account data sets still locked away. This limits the effectiveness of use cases. To remedy this, it is time for the Government to pull its finger out and:

6. Consult on an Open Finance scheme which includes the opening up of savings, investment and pension data

With Open Finance (namely investment, savings, and pensions) data as a core ingredient, investor qualification could become a living process rather than a one-time hurdle. Continuous monitoring systems could track loss capacity, financial commitments, and cross-portfolio exploration, to ensure ongoing investment appropriateness and truly uphold the intent of the Consumer Duty. When significant changes occur like job loss, salary increases, major purchases, or unexpected windfalls, the system would provide WealthTechs with additional information to be able to serve timely messages offering support and checking whether investments are still appropriate for their customer's goals. Risk profiles could dynamically update based on actual financial behavior, providing early warning of stress while identifying increased capacity for appropriate risk-taking.

It's also important for the Treasury to consider how Open Finance could enable visibility of not just one person's entire financial net worth, but also, with consent from all parties, the aggregation of multiple family members' wealth. This would enable estate planning on a whole other level.

Enabling Variable Recurring Payments for Investing

Beyond limitations around data access, however, there is another key shortcoming of the UK's current Open Banking regulations which stand in the way of empowering retail investors. Current payment rails restrict automated investing to rigid, fixed monthly amounts – a constraint that fails to match the financial reality of modern life where income fluctuates, expenses vary, and opportunities to save arise unpredictably.

This limitation represents more than a mere technical inconvenience. For the 14 million UK adults living with variable incomes, from gig economy workers to small business owners to sales professionals on commission, the inability to automatically adjust investment contributions to match cash flow creates a significant barrier to wealth building. Even for those with steady salaries, the current system prevents intelligent automation that could capture windfalls, optimise tax allowances, or respond dynamically to changing financial circumstances. This could be solved through Variable Recurring Payments (VRP).

A VRP is a type of automatic payment arrangement where the amount of money being transferred can change from one payment to the next, but the recipient and the payment schedule are pre-approved by the customer. A VRP is variable within certain limits, recurring, pre-authorised, can be time limited, and

revoked at any time. This ability to adapt the conditions is a key advantage over a variable direct debit, alongside speed of set up and, in theory, the user experience.

Currently, VRP functionality is mandatorily available only for sweeping funds between accounts held by the same customer between the nine biggest banking groups (the CMA9). Consequently, it is not possible to consent to a VRP between a bank account and a non-CMA9 investment platform. This regulatory gap creates a particularly acute frustration because the technical capability exists, we have built the digital pipes but refuse to turn on the taps. Investment platforms that want to offer intelligent automation must resort to complex workarounds or simply tell customers that features available in other countries cannot be offered in the UK. This not only limits consumer choice but also undermines the UK's position as a fintech leader, as our startups cannot build and test innovations that require flexible payment infrastructure.

To remedy this, Open Banking Limited (OBL) is designing a commercial scheme for VRP use cases outside of the current mandate, known as commercial VRPs (cVRPs) with “sweeping” to a third party investment platform a likely part of wave one.²¹ This model could achieve the outcome of easier variable recurring payments into investment accounts, but we believe that an alternative path would get there faster.

7. HMT should expand the scope of Variable Recurring Payments to mandate VRP specifically for authorised investment platforms as part of the Statutory Instrument putting Open Banking on a sustainable regulatory footing.

This would create new automated investment capabilities while maintaining robust consumer protections. This expansion would unlock the full potential of Open Banking for wealth creation, allowing UK consumers to benefit from intelligent automation that makes investing as seamless as spending. The expanded VRP framework must be carefully designed to balance innovation with protection. All FCA-authorized investment platforms should have the right to access VRP functionality from banks, creating a level playing field that promotes competition and innovation. The framework should support a range of intelligent automation features that can transform how ordinary citizens build wealth.

Dynamic limits and controls would empower consumers to set maximum contribution amounts per transaction, per day, and per month. These limits should be easily adjustable through investment platform interfaces, with changes taking effect immediately. Consumers should also be able to set minimum balance thresholds below which no investments occur, preventing automated systems from creating overdrafts or financial stress.

Cancellation must be as easy as initiation. Consumers should be able to pause or cancel VRP arrangements instantly through either their bank or investment platform, with immediate effect. No complex procedures, waiting periods, or penalties should impede a consumer's ability to stop automated investing when their circumstances change.

²¹ <https://www.openbanking.org.uk/wp-content/uploads/The-commercial-model-for-cVRP-Wave-1.pdf>

Step 3: Execution

Alongside radically improving financial education, and paving the way for meaningful financial empowerment, the Government must maximise choice for prospective investors at all levels, optimising execution on the path to wealth-building.

The ISA Reform Nobody's Talking About

Few mooted policy changes were as controversial in the build up to the Mansion House speech in July 2025 as the potential changes to ISAs. In early July, reports suggested the Treasury was weighing up changes to how much of the £20,000 ISA allowance could sit in cash ISAs to encourage participation in the stock market through increased exposure to the stocks and shares ISA. After pushback from banks, building societies and consumer groups, Chancellor Rachel Reeves paused the plan. Whilst the overall £20,000 allowance was reiterated as safe, however, the “cash vs equities” split is a live debate, and future reform ahead of the 2026 financial year remains in the table.

At Startup Coalition, we have heard mixed views from WealthTech startups on the optimal outcome of this debate. Consequently, we do not have a firm view on whether the outcome of maximising wealth building opportunities for more people is best achieved by cutting the cash ISA allocation. Instead, we believe there are a number of low-hanging fruit reforms that the Government could expedite to optimise the ISA system, improve usability, reduce friction, and maximise value to the underlying account holder.

The first change not being discussed enough is broadening the eligibility of what can be held in an ISA to any exchange listed or retail accessible fund. This would increase diversification, investor choice, and market liquidity. Secondly, the Government could allow the holding of different currencies in the overall ISA wrapper. This change could improve efficiency, lower costs and increase flexibility for account holders interacting with different currencies.

Thirdly, employers could be enabled to set up direct payments after tax into their employee's ISA, at the employee's direction. Just like the success of auto-enrolment in pensions, this could increase the ease of saving and investing and improve overall wealth-building habits. Fourthly, the Government should explore an ISA switching service, in the style currently in use for current accounts. This should include digital interoperability, a guarantee scheme, and clear SLAs: we need consumers to be able to switch their ISAs in seven days, just like they can currently do with current accounts. Fifthly, and perhaps most transformationally, the Government could consult on the potential simplification of reporting and account structure into a single ISA account that can *hold cash and/or shares*.

Finally, the Government should futureproof the Lifetime ISA, potentially through a mechanism to review the LISA cap, as this has not increased in line with house prices, and reform of the withdrawal penalty.

Regardless of the specifics, it is critical that the Government supports market and investor certainty by commencing the specific ISA review that has been trailed. It should:

- 8. Consult on the future of ISAs, including administrative optimisation and the introduction of a new switching service.**

A New Type of Investor

Secondly, the Government should review whether it is time to review how it classifies investors more generally. For this discussion, we must ground the analysis in the point of departure. Today, the types of retail investments available in the UK have been categorised by the FCA by their risk levels. These are:

- **Readily Realisable Securities (RRS):** Readily Realisable Securities are financial instruments that are admitted to trading on a regulated or recognised investment exchange, where there is a liquid and active secondary market allowing investors to buy or sell the securities easily and at transparent, market-driven prices. Shares of publicly listed companies are examples of RRSs.
- **Restricted Mass Market Investments (RMMI):** These are higher-risk investments that can be promoted to retail investors, but only subject to strict consumer protection safeguards due to their increased risks, such as complexity, volatility, or potential for loss. Examples of RMMIs include peer-to-peer lending products or crowdfunding equity or debt-based investments.
- **Non-Readily Realisable Securities (NRRS):** These are securities that are not listed or traded on a regulated or recognised investment exchange, and where there is no readily available secondary market or liquidity allowing investors to easily sell or realise their investment at a fair market value. Examples of NRRSs include shares in private companies like startups and unlisted corporate bonds or loan notes.
- **Non-Mass Market Investments (NMMI):** These are high-risk financial products due to their complexity, illiquidity, or risk profile. They are typically only available to a limited audience such as high-net-worth, sophisticated investors, or advised clients. An example of an NMMI is an Unregulated Collective Investment Schemes (UCIS).
- **Speculative Illiquid Securities (SIS):** These are a subset of Non-Readily Realisable Securities (NRRS) that are highly speculative and illiquid investments, often involving significant risk of capital loss and no easy way to exit the investment. An example of an SIS is a mini-bond issued by private companies.

This categorisation of investment products underpins both promotions and access to all investors in the UK, with specific investment products available and advertised to specific types of investors. In the UK today, there are a number of categories of individual investors.

- **Retail Investor:** the generic category for everyday adults in the UK that have not demonstrated any evidence of financial literacy or risk capacity. There are some restrictions over how much a retail investor can invest in “non-readily realisable securities”, and there are also restrictions on the financial proportions that can be put their way. If these individuals obtain regulated financial advice, the limit on their annual investment allocation is removed.
- **Restricted Retail Investor:** retail investors who sign a self-declaration that they will not invest more than 10% of their net assets in Restricted Mass Market Investments (RMMIs) over the course of a year gain access to promotions of restricted mass market investments.

- **Sophisticated Investor:** an exclusive category based on either third-party certification or self-certified qualification criteria. Certification unlocks access to higher risk investment products and financial promotions. Third party certification must come from an FCA-authorised firm, verifying your sophistication based on your investing history, professional experience, or qualifications. To “self-certify”, you must sign a formal self-certification statement that you meet at least one of the following criteria:
 - You've been a member of a business angel network for at least the last 6 months.
 - You've made more than one investment in an unlisted company in the past two years.
 - You're working or have worked in the past 2 years in a role that involves making investment decisions.
 - You've been a director of a company with at least £1m turnover in the past 2 years.
- **High Net Worth Investor:** an exclusive category based on your finances. To be classed as a high net worth investor you either have to evidence an annual income of £100,000 or more or net assets to the value of £250,000 or more.

These legacy categories have relied on useful but *unsophisticated* criteria like income and asset value, and the proxies of employment, network membership or being in a role that involves “making investment decisions” to prove competence. Startup Coalition believes that, when combined with a concerted strategy to increase financial literacy and empowerment as set out above, the Government can increase choice and investor participation through a reform of investor categorisation with more nuance and targeted qualification criteria. In July 2025, the FCA published its plans to modernise client categorisation rules, we believe that it is time to modernise retail investor categorisation rules in parallel.²²

An Emerging Investor

Startup Coalition recommends that the UK establish a new “Emerging Investor” classification that bridges the gap between retail and sophisticated categories, enabling broader access to investment opportunities while maintaining appropriate safeguards. This new category would recognise that investment sophistication exists on a spectrum and can be demonstrated through multiple pathways beyond traditional wealth or employment metrics. To pave the way for a new generation of investors, digitally-native and with a spectrum of risk appetites and financial means, the Government should:

9. **Consult on retail investor categorisation, with a view to introducing graduated investor categories with proportionate qualification criteria. This consultation should also include a discussion on the specific product sets accessible to each investor type.**

What an Emerging Investor Could Be

The Emerging Investor category would operate on the principle of alternative qualification routes, allowing individuals to demonstrate their capability through experience, education, or assets. Importantly, this category would require either demonstrated qualification or self-certification as is the case today. Additionally, to further ensure that the category is aligned with the Consumer Duty and optimised to good consumer outcomes, we advocate that both financial capacity **and** financial literacy criteria are met. With this in mind, qualification criteria could include:

²² <https://www.fca.org.uk/news/press-releases/fca-modernise-rules-unlock-investment>

- Financial Capacity:
 - Income over £50,000/year, **or**
 - Net investable assets (excl. home/pension) over £50,000 **and**
- Financial literacy: the completion of an FCA-recognised investment literacy quiz

We envisage a co-design process between investment platforms and the FCA on a new FCA-recognised investment quiz. Finally, to further mitigate consumer harm, the Emerging Investor category would maintain investment controls and protections, including a maximum exposure limit. We advocate that Emerging Investors be limited to a maximum of 10% of investable assets annually. We also advocate that there is an annual suitability review imposed.

What Emerging Investors Could Do

Emerging Investors would gain access to a carefully calibrated range of investment opportunities not currently available to retail investors. The process for opening up these opportunities to a broader audience would require thorough consultation with consumers, financial services providers and broader ecosystem stakeholders. We, however, propose that Emerging Investors should be able to access, and be promoted, all RMMIs.

This approach would also have the benefit of seizing the potential of the new Private Intermittent Securities and Capital Exchange System (PISCES). PISCES represents one of the UK's most innovative financial infrastructure developments in recent years. Designed to bridge the gap between private and public markets, PISCES creates a framework for regulated, intermittent trading of private company shares, enhancing liquidity without requiring full public listing. However, despite its transformative potential, PISCES in its current form remains inaccessible to ordinary retail investors, with participation limited primarily to institutional investors and high-net-worth individuals. We believe exploring expansion to enable Emerging Investors to access PISCES worthy of consideration.

The Benefits of a Democratised Investment System

Reforming the UK's investment landscape to enable broader participation would generate substantial benefits across economic, social, and technological dimensions. These benefits align directly with the Government's core missions while positioning the UK for enhanced competitiveness in global markets.

From an economic perspective, democratising investment access could expand the capital available to listed UK businesses and beyond. International evidence suggests that countries with broader retail investment participation generate larger pools of risk capital, supporting more ambitious entrepreneurial ventures and faster scaling of successful companies. The inclusion of Emerging Investors in growth-stage opportunities through reformed PISCES access could also help address the UK's persistent scale-up funding challenge.

The social benefits of investment democratisation are equally compelling. Perhaps the most significant is the potential for broader wealth distribution, when ordinary citizens can participate in high-growth investment opportunities, the benefits of economic expansion are shared more widely across society rather than accruing primarily to those who are already wealthy.

Broader investment participation also creates greater financial resilience at both individual and societal levels. Individuals with diversified investment portfolios are better positioned to weather economic shocks and build long-term financial security, while distributed investment holdings reduce systemic risks associated with concentrated ownership patterns. Expanded investment access could significantly improve retirement outcomes for UK citizens, as current restrictions often force pension schemes and individual retirement savers into lower-return investments, constraining their ability to build adequate retirement wealth.

From a technological standpoint, democratising investment access would create substantial market opportunities for UK WealthTechs, including retail investment platforms, robo-advisors, and innovative investment products. A larger addressable market of retail investors would incentivise greater innovation in user experience, cost reduction, and accessibility features. The UK's world-leading fintech sector could leverage expanded retail investment participation to develop new technologies for portfolio management, risk assessment, and investment education, innovations that could serve not only domestic markets but also be exported globally, strengthening the UK's position as a fintech hub.

A more inclusive and technologically advanced investment ecosystem would ultimately strengthen the UK's competitive position in global markets and support the Government's ambition for growth. Countries that successfully combine broad retail investment participation with innovative technology platforms often become exporters of financial technology solutions, creating additional economic value and international influence.

This is a blueprint to democratise access to wealth-building across the UK, maximising the opportunities of economic growth for the many.

Our Blueprint

Financial Literacy:

1. The Financial Inclusion Committee should consult with Fintechs on opportunities to leverage innovation and technology to promote financial literacy and inclusion.
2. Fintechs should be directly included in the curriculum review to support designing content for financial education.
3. Children should receive view access of their JISA balance from the age of 12.
4. The Government should compensate students for completing financial education courses through payments into JISAs.
5. The FCA's Targeted Support regime should be optimised for digital-first, AI-enabled WealthTechs.

Financial Empowerment:

6. HMT should consult on an Open Finance scheme which includes the opening up of savings, investment and pension data.
7. The UK should significantly expand the scope of Variable Recurring Payments to enable Commercial VRP specifically for authorised investment platforms.

Financial Execution:

8. Consult on the future of ISAs, including administrative optimisation and the introduction of a new switching service.
9. HMT should consult on retail investor categorisation, with a view to introducing graduated investor categories with proportionate qualification criteria. This consultation should also include a discussion on the specific product sets accessible to each investor type.

Appendix: Summary of Chatbot Responses to Financial Advice Prompt²³

Prompt used on 8th August 2025: “I am a 35 year old male based in the UK. I have an income of £40,000 per year, am married with a mortgage, paying £1,400 per month. I have £6,500 in savings, half in a cash ISA. I have recently been gifted £1,000. Tell me what to do with this money.”

ChatGPT 5.0 by OpenAI

Based on your financial situation, here's a direct and practical recommendation for how to use your £1,000 gift wisely:

What You Should Do With the £1,000:

1. Boost Your Emergency Fund – £500

You currently have £6,500 in savings, half of which is in a cash ISA. That's solid, but not overly generous for someone with a £1,400/month mortgage and other likely expenses. Aim for at least £8,000–£10,000 in accessible savings (3–6 months of essential costs).

Action:

Add £500 to your existing cash ISA or move to a ****high-interest easy-access account**** (some pay over 5% AER right now). Ensure it's accessible with no penalties.

2. Invest for Long-Term Growth – £400

You're 35 — a great age to start or build on long-term investments (retirement, kids' future, or financial independence). You don't mention pensions or other investments, so let's assume this is a starting point.

Action:

Open a Stocks & Shares ISA (if you haven't already) with Vanguard, AJ Bell, or Freetrade.

Invest £400 into a global index fund, e.g.:

²³ Prompts are abridged - only content which re-summarised the original prompt, tables that summarised the recommendations, or asked about subsequent prompts were removed. Some formatting has been changed.

- Vanguard FTSE Global All Cap
- Vanguard LifeStrategy 80% or 60%
- This money should be left for 5+ years, ideally 10+, to beat inflation and grow.

3. Reward Yourself – £100

Financial wellbeing also means mental wellbeing. It's okay to enjoy part of this gift.

Action:

Use £100 for something fun or meaningful — dinner, short trip, hobby, or something for you and your partner.

Why This Works

Builds resilience (emergency savings)

- Starts or strengthens wealth-building (investments)
- Balances enjoyment with responsibility (treat)
- Let me know if you'd like help choosing the best cash ISA, investment platform, or fund — I can compare options with current rates and fees.

Claude 3.5 Sonnet by Anthropic

With your financial situation, here are the most sensible options for your £1,000 gift, in order of priority:

Emergency fund top-up - This should likely be your first consideration. With a £1,400 monthly mortgage and other expenses, financial experts typically recommend 3-6 months of essential expenses in emergency savings. If your £6,500 doesn't cover this buffer, adding the £1,000 to your emergency fund (perhaps in your cash ISA if you haven't reached the annual limit) would provide valuable security.

Mortgage overpayment - If you're comfortable with your emergency fund, paying £1,000 off your mortgage principal could save you significant interest over the loan term. Even a small overpayment early in a mortgage can save thousands in total interest payments.

Pension contribution - At 35, additional pension contributions benefit from decades of compound growth. You'd also get tax relief on contributions, effectively making your £1,000 worth £1,250 if you're a basic rate taxpayer.

Stocks & Shares ISA - If your emergency fund is solid and you're comfortable with some risk, starting or adding to a diversified investment ISA could provide better long-term growth than cash savings.

The "right" choice depends on your specific circumstances - how secure your job feels, what your total monthly expenses are, and your mortgage interest rate. Generally, if you don't have 3-6 months of expenses saved, prioritize the emergency fund first. If you do, mortgage overpayment or pension contributions typically offer the best value.

What feels most relevant to your current situation?

Gemini 2.5 Flash by Google

This is a great question. Gifting money can be a wonderful opportunity to accelerate your financial goals. Given your specific situation—a 35-year-old male in the UK, married with a mortgage, and with existing savings—here is a breakdown of what you could do with the £1,000, along with the reasoning for each option.

Important Disclaimer: I am an AI assistant and not a financial advisor. This information is for educational purposes only and should not be considered financial advice. It's highly recommended to consult with a qualified financial advisor to discuss your specific circumstances and make informed decisions.

Key Considerations

Before deciding where the £1,000 should go, let's consider your financial priorities.

1. **Emergency Fund:** You have £6,500 in savings, which is a good start. A general rule of thumb is to have 3-6 months' worth of essential expenses saved up. With your £1,400 mortgage payment, your essential expenses are likely higher than this alone, so you should calculate a full monthly budget to determine your target emergency fund size. This fund should be easily accessible in a savings account.
2. **High-Interest Debts:** Do you have any other debts besides your mortgage, such as credit card balances or personal loans? If so, the interest rates on these are likely much higher than your mortgage rate. Paying these off should be a top priority.
3. **Mortgage Overpayments:** Making overpayments on your mortgage can save you a significant amount in interest over the long term and help you become mortgage-free sooner. Your mortgage lender will have a limit on how much you can overpay each year without incurring a penalty.
4. **Long-Term Investments:** You're 35, which means you have a long investment horizon. Investing for retirement and other long-term goals can be very beneficial. A Stocks and Shares ISA is a popular choice in the UK for tax-efficient investing.

Options for Your £1,000

Here are a few structured options, from most conservative to most growth-focused, based on your situation.

Option 1: Enhance Your Emergency Fund (Recommended Priority)

Action: Add the entire £1,000 to your existing savings, preferably in an easy-access savings account.

Reasoning:

- An emergency fund provides a crucial safety net for unexpected events like job loss, car repairs, or home emergencies.
- While £6,500 is a good base, it might not fully cover 3-6 months of your essential expenses, especially with a £1,400 mortgage payment. Boosting this fund brings you closer to that goal, providing greater peace of mind.
- This is a low-risk, high-security option.

Option 2: Pay Down High-Interest Debt (If Applicable)

Action: Use the £1,000 to pay off any credit card debt or personal loans you may have.

Reasoning:

- The interest rates on these types of debts are often very high (e.g., 20%+ for credit cards).
- Paying them off immediately gives you a guaranteed return equal to the interest rate you avoid, which is almost always better than what you would earn from a savings account or a low-risk investment.
- This frees up cash flow in your monthly budget.

Option 3: Make a Mortgage Overpayment

Action: Put the £1,000 directly towards your mortgage.

Reasoning:

- Overpaying your mortgage reduces the total amount of interest you will pay over the life of the loan.
- With a £1,400 per month payment, you're on a standard repayment schedule, but an extra £1,000 can shave time off your mortgage term.

Calculation: While a one-off £1,000 payment may seem small, its effect compounds over time. This is a powerful, low-risk way to save money in the long run.

Check with your lender: Be sure to check your mortgage terms for any overpayment penalties. Most lenders allow you to overpay up to 10% of your outstanding balance each year without charge.

Option 4: Invest for the Future

Action: Open a Stocks and Shares ISA and invest the £1,000.

Reasoning:

- You are 35, which gives you a long time horizon for investments to grow.
- A Stocks and Shares ISA allows your investments to grow free of UK Income Tax and Capital Gains Tax.

- You can invest in low-cost index funds or exchange-traded funds (ETFs) that track the performance of a broad market (like the FTSE 100 or S&P 500), which is often a suitable strategy for beginners.

Risk: This option carries more risk than the others, as the value of your investments can go down as well as up. It's best for money you won't need for at least 5-10 years.

Option 5: A Balanced Approach (A Mix of the Above)

Action: Split the £1,000 between a few options. For example:

- £500 to the emergency fund: Boost your savings and security.
- £500 as a mortgage overpayment: Start reducing your mortgage interest.

Reasoning:

- This approach lets you address multiple financial goals at once.
- It's a good way to "test the waters" with different strategies and see what feels most comfortable for you.

Summary and Final Recommendation

Given your profile, the most prudent and effective use of the £1,000 would be to boost your emergency fund. This provides a stronger foundation for all your other financial goals. Once your emergency fund is fully funded (e.g., 3-6 months of essential expenses), you can then prioritize paying down your mortgage or beginning to invest for the long term.

If you don't have any high-interest debt, consider these priorities in order:

1. Top up your emergency fund.
2. Make a mortgage overpayment.
3. Start a Stocks and Shares ISA for long-term growth.

Good luck with your financial journey!

Perplexity

Given your circumstances—a 35-year-old UK male with a £40,000 annual income, married, holding a £1,400 monthly mortgage, £6,500 in savings (half in a cash ISA), and newly gifted £1,000—the most suitable use of this money depends on your short- and long-term financial goals, risk tolerance, and current needs.

Key options to consider:

Top up your emergency fund: Financial experts recommend an emergency fund covering 3-6 months' expenses. With your current mortgage and likely living costs, assess if your £6,500 savings meets this threshold. Increasing your cash savings with all or part of the gifted £1,000 can bolster financial security, especially important for homeowners with recurring obligations.

Contribute to your ISA: Since you already have a cash ISA, you could add the £1,000 to it, continuing to benefit from tax-free interest. If you want potential growth over the long term and are comfortable with investment risk, consider opening or contributing to a Stocks and Shares ISA, which allows you to invest in diversified funds, such as low-cost index funds or ETFs. These can outperform cash savings over the long term but carry some risk of loss—appropriate if you do not need the funds in the next 5+ years.

Make a mortgage overpayment: Overpaying your mortgage with the lump sum could reduce your long-term interest costs and help pay off your home sooner. However, check your lender's terms for any overpayment penalties or restrictions. If your mortgage rate is significantly higher than your savings interest rate, overpayment can provide an immediate, risk-free return.

Invest for the long term: Broad-based index funds or ETFs, purchased through a Stocks and Shares ISA or a pension (such as a SIPP), allow you to benefit from long-term market growth and tax relief on contributions (for pensions). Just note pension funds are inaccessible until minimum pension age.

Alternative investments: Options like robo-advisors, managed funds, or peer-to-peer lending can be considered for further diversification, though often with more risk and higher fees compared to index funds.

Typical approaches for your profile:

If you do not have high-interest debts, allocating the money between increasing your emergency fund and investing in a low-cost index fund via a Stocks and Shares ISA is a common strategy to balance security and growth.

If your mortgage interest rate is high, overpaying could be especially attractive.

What to avoid:

Speculative high-risk investments (like individual stocks or cryptocurrencies) unless you are fully aware of the risks and can afford potential losses.

Neglecting accessible cash savings, especially as a homeowner with ongoing monthly commitments.

You might choose to split the £1,000: for example, put £500 into your ISA (cash or stocks and shares) and £500 towards mortgage overpayment, depending on your risk tolerance and financial priorities.

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