# UK financial firms ramp up AI adoption amid calls for clearer regulation



Three-quarters of UK financial services firms now use artificial intelligence, up from 58 per cent two years ago, according to a policy paper from Innovate Finance, the industry body for UK fintech. The sharp rise highlights AI’s growing influence in areas such as fraud detection, anti-money laundering, cybersecurity and back-office automation.

About 41 per cent of firms use AI to streamline internal processes, while 37 per cent apply it to strengthen cybersecurity and 33 per cent to improve fraud detection. Adoption remains strongest in operations and IT, but retail banking and insurance are also seeing growth. The report also notes a rising focus on advanced ‘foundation models,’ which now account for 17 per cent of AI use cases, indicating a rapid increase in technical sophistication.

However, regulatory uncertainty continues to hold back AI’s full potential, particularly among smaller firms. Many are not asking for new rules but for clearer guidance on using AI in customer-facing applications. Innovate Finance supports the Financial Conduct Authority’s approach of applying existing frameworks such as the Consumer Duty but is urging regulators to offer more practical, example-led guidance. Suggested measures include clearer compliance case studies, stronger support for innovation and better signposting to resources like the Digital Regulation Cooperation Forum’s AI Hub.

Several initiatives show the UK’s proactive stance on AI in financial services. NatWest’s partnership with OpenAI has led to AI-powered digital assistants that have more than doubled customer satisfaction by improving response quality and reducing reliance on human staff. The project aims to enhance customer experience, improve cost efficiency and reduce financial fraud, showing how AI is becoming part of everyday operations.

In addition, the FCA has teamed up with Nvidia to launch a ‘Supercharged Sandbox’—a new testing environment allowing firms to trial AI technologies from October 2025. This initiative offers advanced computing platforms, AI tools, technical expertise, richer datasets and regulatory guidance, with a particular focus on supporting early-stage firms.

Calls for regulatory reform are growing louder. Innovate Finance CEO Janine Hirt has stressed the need to modernise and simplify current rules, rather than replacing them, to improve clarity, encourage innovation and build consumer trust. With competition rising from other countries adopting progressive AI and fintech regulations, the UK’s leadership depends on embracing regulatory technology to streamline compliance and foster innovation, particularly in areas such as crypto-assets and AI-driven services.

AI is also playing an increasing role in tackling financial crime. Companies such as ComplyAdvantage and Facctum use AI-powered tools combining machine learning and natural language processing to fight money laundering, conduct sanctions screening and detect fraud. Tools like Lucinity’s AI ‘co-pilot’ system help banking staff assess cases more efficiently while maintaining human oversight. However, the expansion of AI capabilities has raised concerns about risk management and governance, as more sophisticated financial crimes and unintended outcomes could emerge. Balancing innovation with risk control remains a central challenge.

To fully unlock AI’s benefits in financial services, Innovate Finance is calling for a comprehensive ‘UK financial tech stack’ that includes digital identity solutions, blockchain regulations, smart data infrastructure and better data-sharing frameworks for fraud prevention. Without swift, coordinated action, the UK risks falling behind rivals investing heavily in ready-to-deploy AI systems.

While the UK’s financial services sector is quickly embracing AI and seeing its transformative potential, progress is being tempered by regulatory ambiguity and the need for stronger innovation support. With targeted reforms, collaborative programmes and a focus on responsible innovation, the UK remains well placed to strengthen its position as a global leader in advanced financial technology.

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## Bibliography

1. <https://thefintechtimes.com/no-new-ai-rules-needed-just-better-guidance-says-innovate-finance/> - Please view link - unable to able to access data
2. <https://www.reuters.com/technology/natwest-seals-milestone-uk-banking-collaboration-with-openai-2025-03-20/> - NatWest has partnered with OpenAI to enhance its digital assistants and customer support, marking the first such collaboration in the UK banking sector. This initiative aims to improve customer experience, reduce costs, and combat financial fraud. The partnership provides NatWest with access to OpenAI’s products, early insights into its product pipeline, and bespoke consultancy. A key project involves leveraging OpenAI's technology to enhance the bank's customer chatbot, Cora, and the staff assistant, AskArchie. This AI integration has already improved customer satisfaction by 150% and reduced reliance on human advisors. ([reuters.com](https://www.reuters.com/technology/natwest-seals-milestone-uk-banking-collaboration-with-openai-2025-03-20/?utm_source=openai))
3. <https://www.reuters.com/business/finance/uk-financial-regulator-partners-with-nvidia-ai-sandbox-2025-06-09/> - The UK's Financial Conduct Authority (FCA) has partnered with Nvidia to launch a 'Supercharged Sandbox' aimed at enabling financial services firms to test AI technologies in a controlled environment. Set to begin testing in October 2025, the initiative is part of a broader government strategy to foster innovation and boost economic growth. The sandbox provides participants with access to Nvidia's advanced computing platform and AI software, along with technical expertise, better datasets, and regulatory guidance. This program is especially intended for firms at the early stages of AI exploration that may lack resources. ([reuters.com](https://www.reuters.com/business/finance/uk-financial-regulator-partners-with-nvidia-ai-sandbox-2025-06-09/?utm_source=openai))
4. <https://www.ft.com/content/254ce821-0d5c-4355-bcc2-cebfb9a42ca7> - Janine Hirt, Chief Executive of Innovate Finance, argues that the UK should simplify its regulatory framework to maintain its global leadership in the fintech sector, rather than dismantling it entirely as suggested by Andy Haldane. A modernized regulatory system is essential for fostering innovation, providing clarity, and building consumer trust. The UK currently leads in fintech investment, second only to the US, but faces growing competition from nations with progressive regulatory frameworks. Many existing UK financial regulations are outdated, predating modern fintech innovations like AI and open finance. Adopting so-called Regtech solutions could streamline compliance, making it more efficient and cost-effective. Post-Brexit, the UK has the opportunity to implement more innovation-friendly regulations in areas such as crypto assets and AI-powered financial services, potentially securing its position at the forefront of fintech development. ([ft.com](https://www.ft.com/content/254ce821-0d5c-4355-bcc2-cebfb9a42ca7?utm_source=openai))
5. <https://www.ft.com/content/da0f4df3-72bd-481d-a3c1-222a406e7ba2> - The financial services industry has long pursued automation, but the rise of generative AI is opening new possibilities and challenges. AI's applications include enhancing customer service through advanced chatbots capable of complex interactions and improving the lending process by automating documentation assessment. Companies like MPowered Mortgages use AI for various tasks but still involve humans in final decisions to comply with regulations. In investment, AI aids fund managers in making informed choices by efficiently analyzing raw data. It is also key in fighting financial crime, expediting processes like anti-money laundering. AI's efficiency is exemplified by Lucinity's 'co-pilot' system, which streamlines case assessments for bank staff. However, AI poses risks, such as enabling more sophisticated financial crimes and concerns over governance to prevent unintended consequences. Therefore, balancing AI's benefits with rigorous risk management is crucial for financial institutions. ([ft.com](https://www.ft.com/content/da0f4df3-72bd-481d-a3c1-222a406e7ba2?utm_source=openai))
6. <https://en.wikipedia.org/wiki/ComplyAdvantage> - ComplyAdvantage, founded in 2014, is a RegTech company that provides software to help detect and manage risks associated with anti-money laundering (AML) and fraud. The company uses artificial intelligence, machine learning, and natural language processing to help regulated organisations manage risk obligations and counteract financial crime. ([en.wikipedia.org](https://en.wikipedia.org/wiki/ComplyAdvantage?utm_source=openai))
7. <https://en.wikipedia.org/wiki/Facctum> - Facctum is a London-based private regulatory technology (RegTech) company, headquartered in London, United Kingdom. Developing software for financial crime compliance, including anti-money laundering (AML), sanctions screening, and customer due diligence. ([en.wikipedia.org](https://en.wikipedia.org/wiki/Facctum?utm_source=openai))