

Speech: Economic Secretary speech to Equifax Spark 2019 Conference

It's a great pleasure to speak to you today.

Technology and innovation is one of the most exciting and uplifting parts of my brief as City Minister and that's particularly true right now with the political situation.

The digital revolution rumbles on at breakneck speed, throwing up all sorts of interesting questions for the future of financial services...

How do we protect consumers and investors without stifling growth and enterprise?

How can technology help us balance the needs of an aging population against the aspirations of young people?

And how do we ensure that the most vulnerable members of our society aren't locked out of the opportunities or left behind by the pace of change?

Our answers to these questions, and others like them, will shape the strength and success of our economy every bit as much as Brexit, if not more so.

It's not a job for government alone. Government can play a convening role; but it's a shared effort with business and academia.

So the subject of today's conference – Making Smart Decisions Together – is apt, and not just from a technological standpoint.

I congratulate Equifax for putting together a programme that's open to the social as well as the financial opportunities that arise from the advent of Open Banking, Big Data and Artificial Intelligence.

What I'd like to do this morning is frame these discussions by outlining what the government is doing to ensure the UK remains at the forefront of innovation in these areas; and what we're doing to help direct this technology towards the challenge of financial inclusion.

Throughout history, there have been moments when technology takes a great leap forward...

The invention of the World Wide Web – thirty years ago – was a case in point.

Tim Berners-Lee's supervisor famously described his proposal as "vague but interesting", which must surely be the understatement of the century.

Certainly, it has transformed the way we trade, bank, invest, borrow, pay and donate money, as well as how we work and communicate with one another.

And the UK has been right at the heart of this transformation.

In fairness, our geography helped.

Wall Street is 2,500 miles from Silicon Valley – but on this side of the pond, you can walk from the Square Mile to the Silicon Roundabout in about twenty minutes.

But, just as importantly, we had the connectivity and the skills necessary to flourish.

The global reach of the City of London – allied to our nationwide strengths in research and innovation – proved a truly winning combination.

Today, the UK is regularly voted the best place in the world to start and grow a FinTech business....

...ahead of New York.

...ahead of Paris.

...ahead of Hong Kong, Singapore and Shanghai.

Savour that for a moment... it's a real tonic for those of us who believe Britain still has what it takes to tread a bold and ambitious path in the world.

We have something very precious indeed, and the government wants to do everything we can to nurture the formula behind our success.

We want our financial services sector to be the most competitive and innovative in the world.

One that continues to fuel jobs and growth, while delivering choice and value for customers.

And to achieve that ambition, we need to be ready to take advantage of the next great technological leaps as and when they arrive.

Open Banking is a case in point.

Two years ago, the Competition and Markets Authority published its ground-breaking Retail Market Investigation Order.

It requires the nine largest banks in the UK to build standardised systems, so customers can share their financial information with FinTech firms quickly and securely.

This has kick-started a transformation in retail banking.

In November last year, a beauty salon in Kent became the first small business to apply for a loan in the UK using Open Banking.

The lender, Iwoca, was able to use the customer's banking transaction history

to speed up the decision-making process – funds were released within an hour-and-a-half.

Likewise, M&S Bank is using Open Banking to simplify its mortgage application process: now the data is readily available, most customers are no longer required to provide traditional bank statements.

We can expect to see a growing number of new products and innovations appear as Open Banking gains traction.

But this is nothing compared to the possibilities of Artificial Intelligence and machine learning.

This data-driven revolution has already arrived – or at least, that's what Alexa told me to say this morning.

Of course, Equifax is itself one of the pioneers.

Your patented NeuroDecision machine learning technology is paving the way for the use of advanced neural network modelling in credit scoring.

And whether it's banks using chatbots to provide personalised customer services...

...investors drawing on big data analytics to make faster and more accurate market forecasts...

...or insurance companies employing algorithms to spot financial crime...

...no part of the sector will be left untouched.

The UK is currently ranked first in the Government (AI) Readiness Index, based on our ability to absorb and exploit the potential of this technology.

We're already home to some of the most established names in the business, like Deepmind and Swiftkey.

But we're also home to the rising stars...

Like Cleo, a London-based start-up which uses AI to analyse people's spending habits to help them better manage their money. Founded in 2016, it now has 600,000 users across the UK and North America.

And Onfido, which uses photo recognition algorithms to help companies verify their customers using live images. Established by three Oxford University graduates, it now employs 200 people in five countries.

(PWC) predict that by 2030, (AI) could boost our national (GDP) by 10%.

But this £230-billion opportunity won't come about by itself.

That's why the government's (AI) Sector Deal is bringing together almost £1 billion's worth of contributions from government, industry and academia to unlock this potential.

Together, we're seeking to attract the best and the brightest from around the world with our new Turing (AI) Fellowships...

And we're investing in home-grown talent by creating more than 1,000 (AI) PhD and Masters places at universities across the country.

Meanwhile, our pioneering Centre for Data Ethics and Innovation seeks to ensure the benefits of this technology are felt evenly across our society.

This leads me to the crux of my message this morning.

Digital innovation can't just be about providing wealthy people with sophisticated products and services.

If that's all we achieve, then we will have failed to grasp the full potential of this technology.

Because the real opportunity before us is to bring about a stronger and more resilient financial sector – one that caters for everyone in our society.

I'm not trying to be all touchy-feely.

I'm a red-blooded capitalist. I believe in the power of markets to lift people out of poverty and drive our individual and collective prosperity.

But the hard truth is that a growing number of people feel like our economy doesn't work for them, or their families.

I encounter examples at my constituency surgery every week.

Young people who can't get on the housing ladder.

Single mums and dads struggling with the costs of pay-day loans and rent-to-own schemes.

Older people worrying about how to meet the cost of care without selling their home.

My view is simple.

Government and industry has an obligation to put this right, and to ensure everyone can access safe and affordable forms of credit that are appropriate to their needs.

For our part, the government is directing £55 million from dormant bank accounts to help address the supply of affordable credit.

This money will be arranged through a new independent organisation – Fair4All Finance – which will be fully operational in the autumn.

In terms of the role for business, the government doesn't want to mandate firms to provide products and services...

Rather, we want to encourage lenders to think about how technology can help

vulnerable individuals tell a more convincing story about their financial integrity, so they can access the normal financial choices that most of us take for granted.

Take housing as an example.

Many people who rent accommodation go on to face problems getting a mortgage because they have a low credit score.

In 2017 we launched the Rent Recognition Challenge to find a simple way to record and share rental payment data with lenders and credit reference agencies.

It was a 'Dragons Den' style competition, backed by a £2 million prize fund.

One of the three winners – Bud – is using its share of this money to build an artificial-intelligence driven rental recognition tool which automatically detects when an individual is paying rent and prompts them to get the payments verified.

It also takes advantage of Open Banking by allowing lenders to integrate this service into their apps, so people can use the data when they apply for a mortgage.

This for me is indicative of the real power of FinTech – products that deliver a social as well as a financial benefit.

Following on the success of the Rent Recognition Challenge, we are launching the Affordable Credit Challenge.

We want to create a whole new market of products to serve credit unions and other social lenders – ones that are tailored to the needs of this diverse sector and the communities they serve.

Applications open this summer, and I'm looking forward to seeing what ideas emerge.

Of course, these are just two examples.

Financial inclusion is a complex issue.

But as the digital revolution continues, I have faith that it will offer more and more solutions.

The only limit is whether we have the attitude, aptitude and ambition to make them most of the opportunity.

I'm optimistic that we have, because every time I attend events like this, I'm reminded that the dynamism and energy of our financial services sector is alive and kicking.

And I'm encouraged that together we can help tackle some of the great financial challenges of our time.

So I wish you every success in your discussions today.

And as we look to the growing opportunities for FinTech, let me assure you – the government is there to support you every step of the way.