

An indispensable industry

Financial services
in the UK



Introduction

Financial services touch our lives in so many ways. We rely on them to safeguard our money, to help us save for the future and to protect us against the many risks we face. They provide one in 14 jobs in the UK, and help finance the organisations millions of others work for. They have an essential role in tackling the great challenges of the day, such as climate change and international development.

The financial services industry and associated professional services also provide vital support for the UK economy. Between them, they employ nearly two million people, the majority outside London and the South East. They contribute billions of pounds of tax to the exchequer every year, and earn valuable export earnings for the country. And British skills and experience have turned London into a leading international finance centre which hosts many of the world's premier financial markets.

The international financial crisis that began in the autumn of 2007 led many to question the role of the financial services industry. Hard lessons have been learnt, and important reforms are now underway both in the UK and abroad. However, it is vital not to lose

sight of the importance of financial and associated professional services to the UK, and this booklet brings together facts and figures to demonstrate their contribution. The UK's prosperity depends on a continuing partnership between the financial and professional services industry and the wider economy.

The City of London Corporation is responsible for looking after the Square Mile, where many global financial businesses operate. In partnership with TheCityUK, which promotes UK-based financial and professional services, it also aspires to lead the debate about the future of financial services on behalf of the entire UK industry. I hope that this publication will in a modest way contribute to public understanding of the vital role played by the industry domestically and globally.



Sir Richard Lambert
Former Director General of the CBI

Acknowledgements

We are grateful to the following organisations which have helped us in compiling this booklet and whose websites contain further detailed information:

TheCityUK – created in 2010 to champion the international competitiveness of the UK-based financial services industry, it produces authoritative reports on industry sectors and products (www.thecityuk.com)

Association of British Insurers (ABI) – the voice of the UK's insurance, investment and long-term savings industry (www.abi.org.uk)

British Bankers' Association (BBA) – the trade association for over 200 banks and 45 professional associate firms (www.bba.org.uk)

British Private Equity & Venture Capital Association (BVCA) – representing the private equity and venture capital industry in the UK (www.bvca.co.uk)

London Stock Exchange – Europe's leading exchange group (www.londonstockexchange.com)

Payments Council – bringing together payment service providers, organisations with a commercial interest in payments and end users (www.paymentscouncil.org.uk)

About us

The City of London Corporation provides local government and policing services for the financial and commercial heart of Britain, the 'Square Mile'. As part of our role, we carry out research to monitor the performance trends and needs of the London economy, particularly the City-based financial and professional services clusters. Our regular reports include annual appraisals of the total tax contribution of UK financial services and of the economic role of London as the gateway for trade and inward investment for the whole of the UK. Other recent reports have included a survey of investor perspectives on social enterprise financing and research into the City's need for aviation services.

For more details, see www.cityoflondon.gov.uk/economicresearch

Contents

4 Executive summary

6 The UK – world-class in financial services

- 6 Vital support for the economy
- 8 Breadth and depth in financial services
- 10 Unrivalled professional services
- 12 London – the world's leading financial centre
- 14 A powerhouse of talent
- 16 The jewel in the crown

18 Creating jobs, powering growth

- 18 Providing jobs all over the UK
- 20 Supporting smaller businesses
- 22 Funding investment
- 24 Financing innovation

26 Essential for our everyday lives

- 26 Banking services for everyone
- 28 Savings for the future
- 30 A home to live in
- 32 Protection against risk

34 Contributing to global prosperity

- 34 Financial services around the world
- 36 Supporting sustainable development
- 38 Tackling climate change

Executive summary

The UK – world-class in financial services

The financial services sector is responsible for 10% of national output, while associated professional services contribute a further 3.9%. The UK is the world's largest exporter of financial services, generating a trade surplus of almost £36bn in 2009-10. The industry contributed £53bn in tax to the exchequer in 2009-10 – 11% of tax receipts.

Banking is the largest employer in financial services, followed by insurance, securities markets and fund management. The UK is a leading international provider of professional and support services such as legal services, accountancy, management consultancy, dispute resolution and maritime services.

London is regularly rated the top global financial services centre, and is home to many of the world's leading markets and exchanges, dispute resolution bodies and professional institutions. Much of this activity is concentrated in the City of London and Canary Wharf, the two main financial districts.

The City's financial and professional services sectors are estimated to have contributed £32bn of the UK's national

output in 2010, while London as a whole contributes more to the exchequer every year than it draws in public spending.

Financial and associated professional services make a vital contribution to the UK economy, because of the distinct competitive advantage the industry has built up over the longer term. It is also central to the daily lives of people and businesses in the UK and internationally – a jewel in Britain's crown.

Creating jobs, powering growth

Financial services employ more than 1m people in the UK, while another 900,000 work in associated professional services. Of these 1.9m employees, more than half work outside London and the South East. While London is the country's largest financial centre, there are thriving financial and professional services districts in many of the UK's larger cities.

UK banks cater for around 3.9m small businesses, lending them just under £50bn at the start of 2011. Larger businesses raised more than £31bn on the UK stock markets in 2010 to finance their investments. Venture capital firms invested £313m in innovative and growing businesses, while £1.7bn

of expansion capital was provided by venture capital and private equity firms.

Essential for our everyday lives

Almost everyone in the UK has a bank account which they can use to pay bills and carry out other transactions. One in four customers now log into their bank account online daily, and 37m consumers made online card purchases worth £54bn in 2010. The success of the savings industry in all its forms means that the average pensioner household no longer relies on state benefits for the bulk of its income.

The financial services industry has helped millions buy their homes with mortgages. It has also financed the growth of privately rented accommodation, as well as social housing provided by housing associations.

Insurance companies paid out £23.4bn in 2010 on claims for general business such as vehicle, property and accident cover, while £151bn was paid out on long-term life assurance and pensions policies.

Contributing to global prosperity

The City of London helps grease the wheels of international trade, hosting the world's largest foreign exchange

market with average daily turnover of \$2,191bn. It is also a major provider of the short-term finance used in roughly 90% of world trade.

The financial and associated professional services industry is at the heart of the global economy. UK banks originate 18% of loans raised overseas – more than those in any other country. UK fund managers look after more than £1,400bn of assets on behalf of overseas clients.

The industry makes a significant contribution to sustainable development. It is the largest lender to emerging economies and a leading investor in their businesses as well as infrastructure projects in water, telecoms and transport. It raises funds to lend to the world's poorest entrepreneurs, and to pay for campaigns which immunise children and adults against potentially fatal diseases.

The UK has taken the lead in tackling greenhouse gas emissions, and the City of London has become the world's carbon trading capital. UK-based institutions have invested large sums in cleaning up emissions in emerging markets and in cleantech renewable and related projects.