The British Blockchain Association
Advocating Evidence Based Blockchain

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The British Blockchain Association's Response to the Parliamentary Inquiry into Access to Banking Services for the UK Crypto and Digital Assets Sector

Submitted via email to: appg@cryptouk.io

Consent to publication: The British Blockchain Association (BBA) consents to publication of our name as a respondent in all proceedings related to this submission. We are responding as an organisation and do not request confidential treatment for this submission.

About the British Blockchain Association

The British Blockchain Association (BBA) is the UK's longest-established blockchain industry body (est. 2017). It advances evidence-based adoption of Blockchain and Distributed Ledger Technologies (DLT). The BBA is Secretariat to the All-Party Parliamentary Group on Blockchain Technologies and lead author of the UK's National Blockchain Roadmap (Vision 2030). This response is grounded in the BBA's own institutions, including The Centre for Evidence-Based Blockchain (CEBB), The Journal of the British Blockchain Association (JBBA), the Blockchain Associations Forum (BAF), and input from our industry members, advisors, and ambassadors.

Over the years, BBA has convened several parliamentary evidence sessions, inviting input from industry, parliamentarians and researchers at APPG on Blockchain Technologies' roundtables, including: January 2024, May 2024, June 2025, International Roundtable on Digital Assets in September 2025, November 2025, and May 2026 parliamentary roundtables, during which access to banking for blockchain firms was raised directly by stakeholders. The minutes and proceedings of these evidence sessions can be found on the Blockchain APPG website.

We support the Inquiry's premise: the goal is not fewer safeguards, but safeguards that are proportionate, transparent and applied case by case.

The Man with the Red Flag:

In a recent article, *'The Man with the Red Flag: The Ontology of Governing Unfinished Things',* I argued that this is the recurring problem of innovation governance. In 1865, the Locomotive Act required every mechanically powered road vehicle in Britain to travel at walking pace, preceded by a man carrying a red flag. The rule was not born of hostility to the motor car. Parliament had only two categories for a thing with wheels: a carriage, pulled by a horse, or a locomotive, which moved itself. Because the car moved itself, the law treated it as a train. Once that classification was fixed, the rest followed automatically: the car was allowed to move at a speed no faster than the man with the red flag walking ahead.

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Societies do not usually ban the new thing. They force it to crawl behind an old category they already know how to police. Banks can, in this sense, often become the man with the red flag for cryptoassets. Sometimes, their caution is intelligible: Scams, reimbursement liability, AML duties and the Consumer Duty are real. But when an FCA-registered firm, or a consumer paying a registered UK exchange, is made to proceed only at the pace of a blanket sector block or a uniform transfer cap, the bank is no longer assessing the vehicle in front of it. It is walking sixty yards ahead of an entire class of activity because the activity does not yet sit neatly in a familiar drawer. The Inquiry's task is not to abolish the flag. It is to decide when the man with the red flag is still protecting the public, and when it is simply slowing the crypto innovation down to a crawl.

1. Significance of the issue

The problem is real, measurable and has not eased as the UK's crypto regime has taken shape.

On retail rails, UKCBC's January 2026 Locked Out survey found that around 40% of transactions from UK bank accounts to crypto exchanges are blocked or delayed. Eighty per cent of the ten exchanges surveyed reported a rise in affected customers over the previous year; none reported a decrease. One exchange cited close to £1 billion in declined transactions in a single year. Restrictions commonly take the form of outright outgoing blocks (including Starling, Chase UK, TSB, Metro Bank and Virgin Money) or tight caps (for example HSBC and Barclays £2,500 per payment and £10,000 per rolling 30 days; NatWest £1,000 a day and £5,000 per 30 days; Santander £1,000 per transaction and £3,000 per rolling 30 days). These measures frequently apply even where the destination is an FCA-registered exchange.

On business accounts, the January 2025 Don't Bank On It report found that half of UK fintech and crypto firms had been rejected when opening a bank account or had an account subsequently closed; only 14% had opened and retained an account with one of the largest UK banks. Eighty-one per cent regarded banking difficulty as a significant barrier to success; 70% said it made them more likely to leave the UK. Firms report being declined despite holding FCA registration. Associated services including insurance, merchant acquiring, payroll are similarly constrained.

This is consistent with a wider de-risking pattern. The FCA's 2023 data exercise found that, in the central range of reporting firms, up to 11.4% of business account applications were declined between July 2022 and June 2023, with financial crime concerns and dormancy among the most commonly cited reasons. The driver is defensive de-risking of a sector, not isolated credit decisions.

The issue is not new to the BBA and our industry members. Access to banking for blockchain firms has been a recurring item at Blockchain APPG industry roundtables facilitated by the BBA as Secretariat, including January 2024 and May 2024 (chaired by Natalie Elphicke MP) and June 2025, September 2025 and November 2025 (chaired by Matt Vickers MP). Those sessions placed banking access alongside tokenisation, skills and delivery of the National Blockchain Roadmap. CEBB's working premise is the same one that runs through the JBBA: classify the activity by evidence of risk, not by an inherited category that forces lawful firms to crawl.

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2. Impact on businesses, consumers, competition and UK competitiveness

The effect is capital flight, thinner competition and consumer friction that sits at odds with the Government's ambition for the UK to be a global digital-asset hub.

Firms report relocating or opening accounts in jurisdictions such as Estonia, Poland and Bulgaria to obtain reliable banking. Seventy per cent of exchanges surveyed in Locked Out said bank restrictions reduced their willingness to invest, scale and hire in the UK. Without sterling accounts, authorised firms cannot reliably receive customer funds, pay staff or settle suppliers, which risks hollowing out the forthcoming FCA authorisation regime.

For consumers, IG polling (August 2025) found that around 35% of crypto buyers who hit payment blocks simply switched banks. Harm also extends into everyday finance, including reports of employees of digital-asset firms struggling to obtain mortgages because of their employer's sector. Activity concentrates onto a handful of more permissive rails, reducing choice and resilience.

3. Contributing factors — and where bank caution is legitimate

Banks are not acting without reason, and the Inquiry should say so plainly.

Legitimate drivers include:

- **Reimbursement liability.** Since 7 October 2024, the Payment Systems Regulator's mandatory reimbursement rules make banks liable for up to £85,000 per authorised push payment scam, with costs shared between sending and receiving firms. Crypto is a known vector for investment and romance scams.
- **Consumer Duty.** The FCA requires firms to avoid foreseeable harm, including from inadequate scam controls — which incentivises over-blocking.
- **Data blind spots.** Many crypto-related scam losses fall outside Faster Payments APP figures because transfers routed through wallets are not captured in UK Finance APP data, so banks perceive risk they cannot fully quantify.
- **AML/CTF and platform quality.** Enhanced scrutiny of unregulated offshore platforms, enforcement of the Travel Rule, and pausing genuinely anomalous flows are appropriate. Credit-card crypto purchases raise leverage and unaffordable-debt issues that Faster Payments to registered exchanges do not. Losses on unregulated tokens generally sit outside FSCS (and often FOS).

Where banks are right: treating unregistered destinations, first-time high-value payments, and unexplained velocity as high risk; blocking credit-card crypto purchases; exiting individual relationships that fail KYC.

Where they have gone wrong: blanket bans and uniform caps that make no distinction between an FCA-registered UK exchange and an unregulated offshore platform, and that offer firms and customers little explanation or appeal. Industry reports that restrictions are frequently applied without that

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distinction. The industry has argued that a purely categorical approach sits uneasily with the Consumer Duty, competition law and Regulation 105 of the Payment Services Regulations 2017. That reading of Regulation 105 (which concerns access to payment systems) is a sector interpretation, not settled law; the BBA records it as such. Sector-level de-risking of firms the FCA has already registered is not the same as crime prevention.

4. International best practice

Jurisdictions that pair clear licensing with banking pathways do better than those that license firms and leave rails to chance.

- **United States.** In 2025 the OCC moved to remove 'reputational risk' as a supervisory category; the Federal Reserve followed the same year, with the OCC and FDIC jointly finalising the change in rule form in April 2026. The US reform was not written for digital assets alone, but the transferable lesson is the same: when supervisors stop signalling that an entire industry is inherently out of appetite, banks stop pre-emptively exiting it. Examinations should focus on transparent, measurable risk rather than a subjective view of a client's sector.
- **Switzerland.** FINMA licensing enabled Sygnum to become a regulated digital-asset bank in 2019, with client crypto assets held off-balance-sheet. In April 2026, incumbents including UBS, PostFinance and Zürcher Kantonalbank joined the digital-asset bank Sygnum in an industry CHF stablecoin sandbox (with Raiffeisen, BCV and Swiss Stablecoin AG), as Switzerland's licensing regime is being finalised — high-street and crypto-native institutions cooperating in the same market.
- **Singapore.** MAS has moved toward risk-based, conditional capital treatment for cryptoassets: a structured pathway rather than conservative-by-default exclusion. MAS licensing plus institutional rails (including DBS for authorised activity) give banks a clear risk signal.
- **Hong Kong and the EU.** SFC VATP / HKMA stablecoin licensing treats a licence as a risk-reducing signal for local banking. Under MiCA, CASP authorisation and passporting have improved counterparties' willingness to bank licensed firms, even if access remains uneven.

The common thread is rules-based clarity: authorisation changes the default from "decline the sector" to "risk-assess the firm."

5. Recommended solutions

1. **Joint FCA/PSR (and, where relevant, PRA) guidance** that blanket sector bans are not a substitute for risk assessment. Confirm that categorically declining FCA-registered or, under the new perimeter, FCA-authorised firms, solely because of sector, sits uneasily with the Consumer Duty and a competitive market. Lucy Rigby MP, Economic Secretary to the Treasury, has told Parliament that licensed firms should not face restrictions simply because of sector; that should be reflected in supervisory practice.

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2. **Risk-tiering.** Distinguish FCA-registered/authorised UK firms from unregulated offshore platforms. Treat incoming authorisation as a positive signal, a banking "green flag", while retaining the right to exit individual high-risk relationships.
3. **Calibrated retail rails.** Replace blanket outgoing blocks with confirmation-of-payee style warnings, cooling-off and scaled limits for first-time payments to registered exchanges; keep hard blocks for unregistered destinations and credit cards.
4. **Right to reasons and appeal.** Firms and customers declined or offboarded should receive a clear explanation and a route to challenge, extending Consumer Duty offboarding work to this sector.
5. **Shared KYC/AML utility** for authorised blockchain and DLT firms, lowering per-bank compliance cost — a major reason low-margin relationships are dropped. Pair this with a standing bank–industry–regulator forum, building on the Blockchain APPG roundtables convened by the BBA, on typologies, Travel Rule interoperability and specialist GBP accounts.
6. **Preserve safeguards.** Maintain robust scam controls, Travel Rule compliance and anomaly monitoring. The aim is precision, not permissiveness. Do not impose a universal service obligation on every high-street bank.

6. Conclusion

Banks have an important role to play in safeguarding the integrity of the UK's financial system. They should remain free to exercise judgement and expected to use it, stopping crime and protecting customers, on a case-by-case basis. However, a licence that cannot be banked will struggle to deliver the Government's ambition of being a digital assets hub. Authorisation under the new regime should be treated as a material reduction in sector risk. We must keep the red flag where it still warns of real danger, but do not require every lawful cryptoasset journey to proceed at walking pace behind a man who will not step aside.

The BBA would be happy to engage in future stakeholder consultations with regard to this inquiry, and consents to the publication and citation of this response in all related proceedings.

Yours faithfully,

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[13] FINMA; Sygnum (2019); industry CHF stablecoin sandbox announced 8 April 2026 by UBS, PostFinance, Sygnum, Raiffeisen, Zürcher Kantonalbank, BCV and Swiss Stablecoin AG.

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