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Article

The demise of Cash, Banking Evolution, and Fintech Challenges

Adam Warner • October 09, 2025

The way we pay for things is changing fast. Cash is fading, digital banking is surging, and fintech companies are changing how we manage money. However, this shift brings complex regulatory hurdles and escalating risks, from cyber-attacks to fraud. This article explores why and the challenges facing fintechs.

Is this the end of cash?

According to Worldpay's Global Payments Report 2025, in 2024, only 15% of global in-store payments involved cash, compared to 44% a decade earlier. (In countries like China, Sweden and Norway, cash accounts for less than 6% of purchases, driven by widespread adoption of mobile apps, contactless cards, and digital wallets.) The COVID-19 pandemic accelerated this trend, as businesses and consumers chose to use contactless payments to stay safe and minimise health risks. However, a cashless society isn't perfect and poses challenges. The World Bank estimates 1.4 billion people lack access to digital banking, risking excluding those in rural or low-income regions. In addition, digital payments raise privacy concerns due to their traceability. The decline of cash is changing how we live and bank.

Regulatory Challenges for Fintechs:

Fintech companies bring agility and drive innovation but face increasing regulatory challenges in areas such as anti-money laundering (AML), know your customer requirements (KYC), sanctions screening and identifying illegal transactions. These challenges are more pronounced for Fintechs than for traditional banks due to several factors:

Resource constraints:

Fintechs, typically smaller and newer firms, face significant challenges in regulatory compliance due to limited budgets and resources, especially when operating across multiple jurisdictions with complex regulatory frameworks. Fintechs must juggle innovation with building robust systems like anti-money laundering (AML) and know your client (KYC). The EU Digital Operational Resilience Act (DORA), effective January 2025, adds further pressure by enforcing strict third-party risk management requirements, increasing operational costs and complexity for fintechs.

Rapid growth plans

Fintechs prioritise speed and user experience, often onboarding thousands of customers in short periods. This can overwhelm manual or semi-automated compliance processes, leading to gaps in KYC verification or sanctions screening. In contrast, traditional banks, with slower onboarding processes and established customer bases face less pressure. For fintechs, balancing growth with regulatory compliance is a constant challenge.

Technological Complexity

Fintechs rely heavily on technology using advanced tools like AI and machine learning for fraud detection, anti-money laundering (AML) and sanctions screening but aligning these tools with regulatory standards is complex and challenging. Furthermore, errors, such as false positives in transaction monitoring can disrupt customer experiences and lead to regulatory penalties. Traditional banks, with legacy systems, may face inefficiencies but benefit from long-standing, regulator-approved processes. Fintechs, on the other hand, must prove that their innovative systems meet the required standards and are often under intense scrutiny from regulators.

Balancing Customer Experience vs. Compliance

Striking the balance between customer expectations and compliance is challenging area for Fintechs who must innovate to make compliance invisible to customers while meeting regulatory demands, unlike traditional banks with established regulator approved processes.

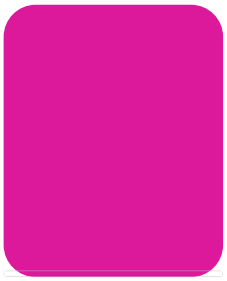
The importance of specialised insurance:

Fintechs face heightened risk, including Fraud, Cyber-attacks and data breaches, Social Engineering, Professional Indemnity (professional negligence) and protection for the liability of Directors and Officers. Specialised insurance tailored to a Fintechs risk maturity should be a critical part of the risk management strategy. Find out more Financial Institutions - London Market

Conclusion

The shift away from cash and the rise of digital banking offer opportunities for a more efficient financial system but also bring complex challenges. Fintechs face unique regulatory challenges due to resource constraints, rapid growth aspirations, technological complexity and keeping pace with the constantly changing global regulatory environment. New regulations like DORA (Digital Operations

Resilience Act), UK critical third party rules (CTP), EU AI Act and MiCAR (Markets in Crypto Assets Regulation) intensify these pressures.



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