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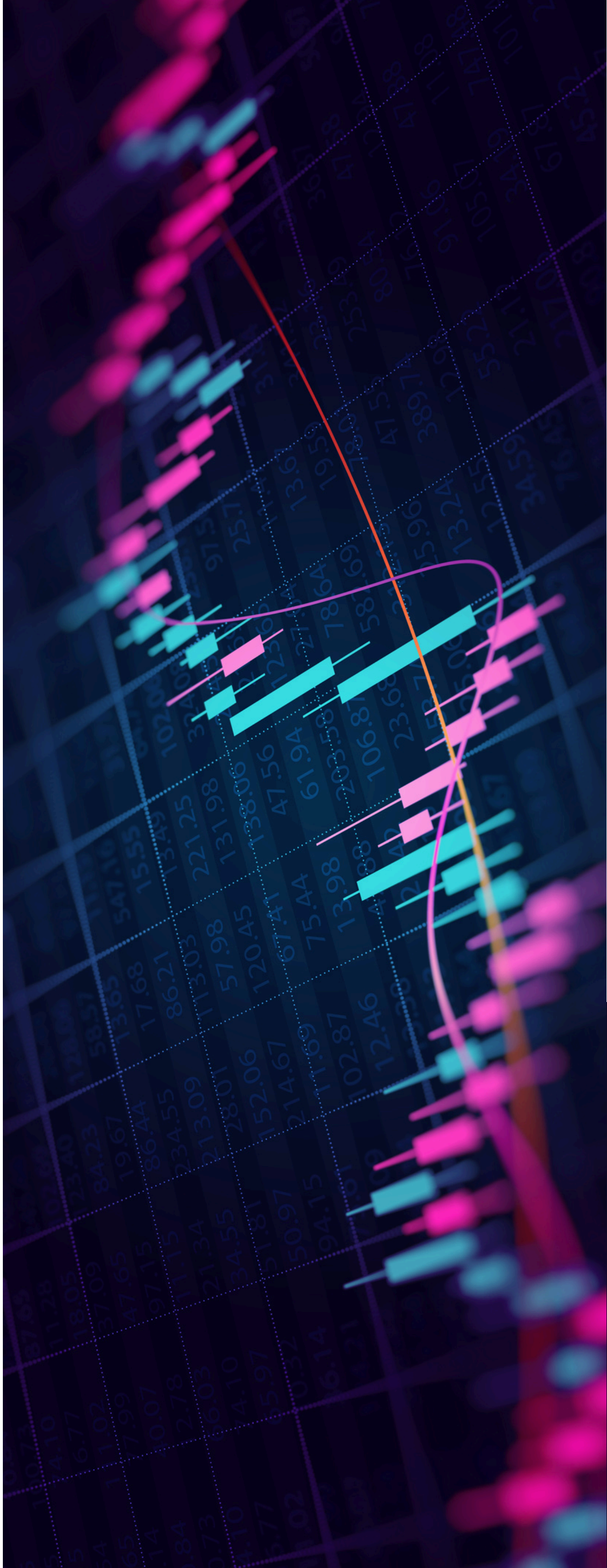


Governance at a Crossroads:
Balancing Rigour and Agility in Financial Services

Plenitude Insights

September 2025

Executive Summary

Financial services are evolving, but not all players are designed to survive the changes. Challenger banks and fintechs promise speed, simplicity, and smarter service. They operate without the weight of legacy systems or onerous hierarchies. They move fast because they can, but what gets missed when speed becomes the goal?

Introduction

Governance, once a boardroom formality, is now a core front-line defence. When compliance is stripped back in the name of efficiency, it can leave institutions exposed.

Too often, lean teams become blind spots as generalists juggle roles they don't fully grasp. Missteps aren't just theoretical, they're costly, public, and increasingly damaging.

The FCA isn't watching quietly. Culture is a new battleground, and firms sleepwalking through a checklist approach to compliance are already losing. The institutions that survive won't be the fastest or the oldest, they'll be the ones that manage governance strategically, and treat it with due respect.

Traditional Financial Institutions

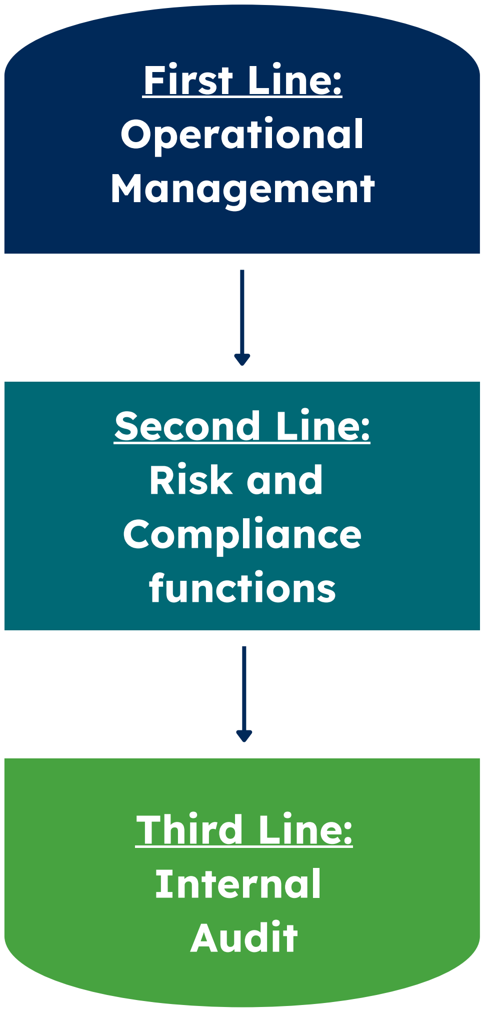
Legacy banks are often seen as sluggish, bureaucratic, and resistant to change. But they've weathered storms that would sink most challengers. Their survival isn't accidental, it's the product of robust governance, deep specialisation, and a culture where compliance isn't optional (and maybe the occasional bail-out).

With scale comes structure. Traditional financial institutions (FIs) with good governance deploy specialist teams across functions, dedicated financial crime units, operations leads, with boards accountable and clear in their mandates. Unlike 'lean' challengers, staff wear one hat, not five. But this precision can also breed fragmentation. Departments drift apart, urgent issues bounce between teams, and opportunities to prevent financial crime are missed.

The danger runs deeper. When teams aren't aligned in approach or language, risk is often misunderstood, or worse, ignored. Governance becomes diluted. The result? Compliance gaps, duplicated effort, and an organisation stumbling over itself when it matters most.

Yet there's strength in numbers. The three lines of defence model, board oversight, and committee governance create layers of accountability. Decisions are interrogated and opinions are encouraged. And while not everyone agrees, every perspective counts. This isn't red tape, it's risk mitigation.

<u>The three lines of defence model</u>



Some FIs can treat regulatory fines as part of their overheads. They seem to absorb penalties while preserving customer trust. But that luxury doesn't extend to newcomers. One regulatory firestorm can end a challenger's story before it begins.

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Challengers and disruptors

Disrupters market themselves as the antithesis of red tape. They run lean, operate fast, and pride themselves on doing more with less. But that agility often comes with a trade-off:

- **Blurred lines**
- **Stretched teams**
- **Poor decisions made without challenge**

Wearing multiple hats might seem efficient, until conflicts of interest or capability gaps surface. The job descriptions of Compliance Officer and Ops Manager don't blend well. The more hats someone wears, the more risk goes unnoticed.

But scrapping legacy models doesn't mean ignoring their strengths. Of course, governance should be proportionate to size and risk. No one expects a three-person fintech to mirror the compliance infrastructure of a global bank, but regulation doesn't scale down just because headcount does. Controls must evolve alongside growth. One person covering multiple, specialist roles isn't sustainable.

So why adopt this model? Because it's fast, agile, and, at its best, relentlessly focused. Streamlined structures make for quicker pivots and tighter customer feedback loops. But agility shouldn't come at the cost of resilience.

According to SmartSearch,

72%

of regulated firms feel overwhelmed by anti-financial crime demands.

Financial crime costs the UK,

£100 billion a year.

Nearly,

3/4

of firms worry they won't keep up with evolving rules. Lean teams offer cost savings, but without structure and experience, they can collapse under pressure.

What's the Regulator's Stance?

The FCA's March 2024 Dear CEO Letter highlighted systemic failings: inadequate financial crime resourcing, weak controls, and missing audit trails. As the FCA made clear,

"Firms' efforts to combat Financial Crime should also be subject to challenge"

oversight isn't optional, it's critical.

And it certainly didn't mince its words in February 2025: weak governance and poor oversight are behind many regulatory failures. As the FCA put it,

"Good governance and a healthy firm culture are critical tools to achieve good outcomes during heightened uncertainty and change"

The warning couldn't be clearer, governance isn't a one-time job. It evolves, or it fails.

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Consequences and Accountability

It's simple, senior management owns this. The FCA expects leadership to set the tone and carry the weight. Under the Proceeds of Crime Act 2002 and the Terrorism Act 2000, failure to report suspicion isn't just negligence, it's criminal.

The numbers are stark:

- £48.65 million fined to TSB in 2022 for governance and risk management failures.
- £87 million to Credit Suisse in 2023 for prioritising profit over oversight.
- £42 million to Barclays in July 2025 – a wake-up call for big banks ignoring governance.
- £29 million to Starling in 2024 – proof that even the most celebrated challenger banks aren't immune.
- £21 million to Monzo in July 2025 – showing that no bank, old or new, is immune to financial crime failures.

Trust is deteriorating. McKinsey's 2023 Digital Payments Consumer Survey found a 12% drop in trust in fintechs since 2022, more than double that of large banks. For consumers, that matters. Many fintechs aren't FSCS protected. And when something goes wrong, access to funds can vanish overnight.

Conclusion

The FCA's message is clear: enough warnings, now is the time to act. Without meaningful change, either disrupters will become the next cautionary tale, or legacy banks will watch their relevance erode.

The lesson? Governance is not a nice-to-have. It's the difference between resilience and collapse.

But here's the reality check: in financial crime, the grass often looks greener from the other side. Lean firms envy the resourcing of incumbents; legacy banks admire the speed of challengers. But up close, both models have cracks. **What works in theory often falters in execution.** This isn't about picking sides, it's about evolving something that works.

The truth is, traditional banks must embrace agility, and disrupters must embrace structure. Somewhere there is a happy medium, not dictated by the regulator, but forged by those willing to lead. **Balance**, not blind adherence to either end of the spectrum, **is the winning formula**.

Even if there is no clear winner right now, **there is opportunity**. A chance to define the path forward, to prove that governance can be both rigorous and responsive. Leadership of this is up for grabs, but only for those prepared to challenge legacy thinking and build governance that fits the future, not the past.

Afterword

Felt a bit doom and gloom, didn't it? If none of this feels familiar – brilliant, tell us your secret. But if you're left wondering what to do next, you're not alone.

Don't let this be just another thought leadership piece. Use it as a mirror, and if what you see feels even a little uncomfortable, don't brush it off. Reach out to us, we're here to help guide you through finding the right balance to tackle financial crime effectively.

Questions to consider

- Is balance even realistic, or is constant recalibration the new normal?
- What happens to firms that lean too far into either tradition or disruption?
- Could customer input in governance build trust, or break it?
- How can technology enable governance without undermining agility?

About Plenitude

Plenitude provides market-leading Financial Crime Compliance (FCC) advisory, transformation, technology, data analytics, and managed services. We are committed to building a secure financial system, safeguarding society, and empowering our clients to meet their regulatory obligations.

Plenitude's advisory and transformation services use tech-enabled toolkits and methodologies, developed and tested over multiple engagements. These accelerate delivery, reduce engagement costs, and reflect industry regulations, guidance, and leading practices.

About the author:

Tom Page is a Senior Consultant at Plenitude Consulting, where he delivers complex financial crime technology and regulatory change programmes for global banks and financial institutions. He has led the implementation of a sanctions watchlist management system, managed a transaction monitoring tuning programme, and contributed to Section 166 Skilled Person Reviews for Payment Service Providers, Electronic Money Institutions, and investment managers.

He is recognised for combining structured delivery with pragmatic problem-solving, securing stakeholder confidence, and ensuring regulator-ready outcomes.

Prior to joining Plenitude, Tom worked in Transformation Consulting at a Big Four firm, where he supported banks, insurers, and asset managers on large-scale remediation and financial crime change programmes, including the stabilisation of a challenged portfolio of work by embedding sustainable governance frameworks.

Tom holds a Bachelor of Arts in Business Leadership and Management Practice with First Class Honours and is a Chartered Manager with the Chartered Management Institute (CMI).

To learn more, email us at enquiries@plenitudeconsulting.com