

## Written Evidence Submitted by CryptoUK

### **About CryptoUK**

CryptoUK is the leading trade body representing the crypto and digital assets sector in the UK, representing more than 150 companies within the crypto and digital assets industry. CryptoUK was established to serve as a resource to policymakers and regulators, and to support the development of an informed and balanced regulatory framework for digital assets and blockchain technology which enables a fair and transparent market, consumer protection and supports innovation in the UK.

CryptoUK would welcome the opportunity to provide further information in an upcoming oral evidence session to answer any additional questions and to provide further insight on behalf of the UK crypto and digital asset sector.

### **What Should We Be Teaching Young People About Money?**

We are truly entering a new era of digital finance. The growth of fintech and new types of digital money including cryptocurrencies over the last decade has changed the way many of us now deal with money, make payments, and manage our finances.

Cryptocurrencies and other types of digital assets including the likes of Stablecoins and Non-Fungible Tokens (NFTs) have grown steadily over recent years with more and more people embracing this new means of payment and value exchange, with many increasingly now viewing them as an alternative to mainstream investments. We are also seeing more businesses embracing this new form of digital finance with many big brands now accepting cryptocurrencies as a means of payment.

As cryptocurrencies and other forms of digital assets continue to grow we believe that there is a real opportunity to encourage greater financial education particularly in new types of digital finance such as cryptocurrencies and digital assets and to improve levels of awareness and understanding to ensure that people have the skills and tools that they need to harness the potential benefits of this new technology safely and responsibly.

We recognise that there have been calls for greater inclusion of digital finance and even of cryptocurrencies in particular in the UK curriculum, and the UK crypto and digital asset industry supports efforts to provide greater financial education in the UK of new and emerging types of finance.

### **The Growth of Cryptocurrencies and Digital Assets**

The use of cryptocurrencies and other types of digital assets has grown significantly over recent years.

In 2021 the UK financial services regulator - the Financial Conduct Authority (FCA) - published research showing that around 2.3 million individuals in the UK owned some form of cryptocurrency. The FCA also said that more people now consider cryptocurrencies and digital assets as an alternative to mainstream investments.<sup>1</sup>

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<sup>1</sup> [FCA Research Note: Cryptoasset consumer research, June 2021.](#)

Additional research from HMRC published in July 2022 showed that 10% of UK adults said they hold or have held some type of cryptocurrency or digital asset showing an increase from the FCA's data from 2021.<sup>2</sup>

In June 2023 the FCA published updated research into the current level of ownership of cryptocurrencies in the UK. In this latest research the FCA estimated that the number of UK adults holding some form of cryptocurrency or digital asset has risen to 4.97 million – from 2.3 million in 2021.<sup>3</sup>

### **Awareness and Understanding of Cryptocurrencies and Digital Assets**

As the popularity and use of cryptocurrencies and digital assets continues to grow we believe that encouraging greater financial education in relation to new types of digital finance is an important step in ensuring that consumers properly understand the risks involved and can harness the potential benefits of this new technology safely and responsibly.

Whilst the FCA's research in 2021 showed an increase in the number of people who own some form of cryptocurrency, it also said that "the level of understanding of cryptocurrencies is declining, suggesting that some users may not fully understand what they are buying".

Consumer research by the Financial Services Compensation Scheme (FSCS) published in April 2023 showed that nine in ten people have heard of cryptocurrencies but only one in ten have a good understanding of how they work, and highlighted the low levels of understanding amongst consumers and the need for greater financial education.<sup>4</sup>

### **Improvements In Awareness Since 2021**

Whilst we have seen the overall level of awareness of cryptocurrencies and digital assets in the UK improve significantly over the last couple of years, there is still scope to encourage and support greater levels of understanding of these new forms of digital money to ensure that people can use them safely.

In the FCA's latest consumer research from 2023, the regulator said that awareness of cryptocurrencies and digital assets has risen significantly in recent years with overall awareness having increased from 78% in 2021 to 91%. The FCA added that the level of awareness amongst consumers had more than doubled from 42% in 2019.

However the FCA also noted that less than half (47%) of those who own or have owned cryptocurrencies or digital assets believe they have a good understanding of how the underlying technology works.

### **Encouraging Responsible Use of New Forms of Digital Finance**

In addition the FCA's 2023 research showed that social media is playing a more prominent role in the advertising and promotion of these new forms of payment, especially amongst younger adults, with 44% of 18–24-year-olds hearing about cryptocurrencies and digital assets the first time through social media.

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<sup>2</sup> [HMRC, Individuals holding cryptoassets: uptake and understanding, July 2022.](#)

<sup>3</sup> [Research Note: Cryptoassets consumer research June 2023](#)

<sup>4</sup> [FSCS Consumer Research: Attitudes Towards Investing In Cryptocurrencies, April 2023.](#)

The Crypto and Digital Assets All Party Parliamentary Group (APPG) said in a report published in June 2023 that “we are seeing the emergence of new types of fraud and scams in relation to cryptocurrency where criminals have sought to exploit consumers” adding that “we are also aware of concerns regarding cryptocurrency scams being promoted over social media and some cases where scammers have used false endorsements by celebrities and other high profile figures to lure people into investing in their schemes”.<sup>5</sup>

Improving consumer awareness of cryptocurrencies and digital assets and the potential risks associated with it will be a key factor in protecting consumers from harm.

We believe that encouraging greater levels of financial education in relation to new forms of digital finance including cryptocurrency and digital assets will be important in driving continued improvements in the levels of awareness and understanding of this new technology in the UK.

We would encourage the committee to consider what more could be done to support greater financial education of new and emerging forms of digital finance including cryptocurrencies and digital assets in the UK in order to allow people to harness the potential benefits of this new technology and to equip people with the skills and understanding to use them safely and responsibly.

CryptoUK and its members appreciate the opportunity to provide our comments into this important inquiry. We look forward to working constructively with members of the committee and would be happy to provide further information.

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<sup>5</sup> [APPG Report June 2023](#)