Written evidence submitted by QA

1. Introduction

1.1. QA is the UK's leading provider of data, digital, and technology training, with nearly four decades of experience in developing tech talent. We have delivered high-impact training and upskilling to over 4,000 organisations – from UK Government departments to global tech leaders like Microsoft and Amazon – addressing critical digital and data skills challenges. Our deep engagement across industry and government uniquely positions us to comment on the use of Artificial Intelligence (AI) in financial services.

1.2. QA works at the forefront of workforce development to ensure individuals and organisations can harness emerging technologies such as AI, big data and cybersecurity responsibly and effectively. We welcome the opportunity to respond to this consultation, drawing on our published research and policy work on data literacy, alternative data ("alpha data"), and AI skills development.

1.3. AI is already a transformative force in UK financial services, with roughly three-quarters of financial firms using some form of AI today. Over the next decade, AI adoption is set to deepen and broaden across all subsectors of finance. This promises significant productivity gains and new services, but also poses challenges for financial stability, consumer protection, and the skills of the workforce. Our response below addresses the consultation questions in turn, emphasising that targeted training and upskilling will be essential to maximise AI's benefits (for firms and consumers alike) and to mitigate the associated risks.

2. Question 1: How is AI currently used in different financial services, and how is this likely to change over the next ten years?

2.1. AI is already being used extensively across banking, insurance, trading, and compliance. Approximately 75% of financial services firms now use some form of AI, a higher proportion than in most sectors of the economy.[1] Fintech companies have led the charge due to their agility, innovation culture, and ability to harness new data sources rapidly. Larger incumbents, including banks and insurers, are increasingly adopting AI for customer service automation, credit risk modelling, and fraud detection.

2.2. As detailed in our *Alpha Data* report, the financial sector is moving towards more advanced forms of AI that leverage vast, often unstructured data sources, such as geolocation, browsing behaviour, or even smartphone usage patterns, to generate new predictive insights.[2] This "alpha data" approach allows firms to assess risks or consumer behaviour in novel ways, often using unsupervised learning models that find patterns without human instruction. One case cited involved the use of smartphone battery level as a proxy indicator for an

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[1] Richard Beck (January 2025), *Adversarial AI threatens our financial services. We need a response*, *https://www.qa.com/resources/blog/adversarial-ai-threatens-our-financial-services-we-need-a-response/*.
[2] David Pool (April 2025), *Alpha Data: the revolution in financial services*, *https://www.qa.com/resources/blog/alpha-data-the-revolution-in-financial-services/*.

individual's risk score, and is a clear example of how seemingly unrelated data can yield meaningful financial signals.

2.3. This adoption is expected to deepen over the next decade. AI will not only be embedded across all departments but will also evolve to deliver more personalised and responsive financial services. However, as QA has emphasised in other consultation responses, for this evolution to occur at scale, the workforce must be sufficiently skilled in AI fundamentals, a gap that remains pressing in many parts of the sector.[3]

3. Question 2: To what extent can AI improve productivity in financial services?

3.1. AI offers significant productivity gains for financial services by automating high-volume, repetitive tasks and enhancing data-driven decision-making. QA's training work has shown that AI is improving efficiencies in customer support, fraud prevention, regulatory compliance, and credit decision-making. These enhancements are particularly evident where large datasets are analysed in real time, providing insights that human teams would struggle to produce at comparable speed or scale.

3.2. Our *Alpha Data* research outlines several high-impact use cases, including algorithmic trading, automated underwriting, and claims processing.[4] For instance, firms are using AI to price insurance premiums based on real-time driving data or to make instant lending decisions using hundreds of non-traditional data points. These innovations reduce operational overhead and improve consumer access to products.

3.3. Generative AI, while still emerging in this sector, has significant potential for drafting internal documents, assisting with software development, and supporting frontline staff through knowledge retrieval tools. These uses pose minimal risk if implemented with oversight and clear governance. In particular, we see safe application in support functions that do not involve direct financial decision-making.

3.4. Nonetheless, there are barriers to further AI adoption. As set out in QA's response to the Use in AI Government consultation, many financial services firms suffer from a shortage of AI-capable personnel, a lack of strategic leadership in data, and fragmented legacy systems.[5] Too often, this leads to over-reliance on external contractors and underutilisation of AI's potential. Training in data literacy and ethical AI is not yet widespread enough to support confident, decentralised use of AI across the sector. Addressing these deficits is vital for unlocking productivity gains and avoiding operational risk.

3.5. In terms of employment, QA recognises that AI may reduce demand for certain routine roles, such as data entry or first-line support. However, new roles are emerging in AI model governance, data analysis, and system supervision. Our training programmes are specifically designed to help organisations reskill existing employees to transition into these evolving roles, ensuring that AI augments human capabilities rather than displacing them wholesale.

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[3] QA (January 2025), *Written evidence submission to Public Accounts Committee's Use of AI in Government Consultation*, committees.parliament.uk/writtenevidence/134588/html/.

[4] Pool (April 2025), *Alpha Data*.

[5] QA (Jan 2025), *Written evidence submission to PAC's Use of AI in Government Consultation*.

4. **Question 3: What are the risks to financial stability arising from AI, and how can they be mitigated?**

    4.1. AI introduces novel cybersecurity risks that could affect the stability of the financial system. In particular, adversarial attacks where malicious actors subtly manipulate input data to deceive AI models present a new category of threat. As explored in Beck's January 2025 blog, *Adversarial AI*, financial firms may be exposed to manipulation of fraud detection systems or corrupted training data, leading to false decisions or systemic vulnerabilities.[6]

    4.2. These threats are especially acute given the high reliance on third-party AI platforms and cloud-based APIs, which may become single points of failure or entry for cybercriminals. Beck's March 2025 article *AI security is the new zero-day* underscores the urgency of establishing AI-specific cybersecurity protocols, including model validation, red teaming, and adversarial testing.[7]

    4.3. QA supports sector-wide initiatives to strengthen AI resilience, including the development of industry standards for AI threat detection and incident response. We also advocate for the expansion of training in AI security as a distinct discipline within financial services, combining traditional cyber awareness with emerging AI risk scenarios.

5. **Question 4: What are the benefits and risks to consumers arising from AI, particularly for vulnerable consumers?**

    5.1. AI holds significant potential to enhance consumer outcomes, especially for vulnerable customers. By analysing behavioural and financial data, AI can help identify individuals at risk of financial difficulty and enable earlier interventions, such as adjusted repayment plans, referrals to advice services, or simplified product offerings.

    5.2. Our *Alpha Data* report highlights the power of AI to broaden financial inclusion.[8] By using alternative data sources, AI models can assess creditworthiness for individuals with limited traditional financial history, such as renters or gig workers. This enables responsible lending to previously underserved groups, provided that transparency and fairness are upheld.

    5.3. However, without proper safeguards, AI can also exacerbate inequality. Biases embedded in training data can lead to discriminatory outcomes, and consumers may be unaware that decisions about them are being made by opaque algorithms. There are also serious privacy considerations when using non-traditional data, especially if consumers are not adequately informed or do not meaningfully consent to data usage.

    5.4. As noted in QA's PAC response, the ethical use of data must be central to AI deployment.[9] Firms need to maintain clear governance, explainability standards, and routes for consumers

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[6] Beck (Jan 2025), *Adversarial AI.*

[7] Richard Beck (March 2025), *AI security is the new zero-day, and we're not ready*, https://www.qa.com/resources/blog/ai-security-is-the-new-zero-day-and-we-re-not-ready/.

[8] Pool (April 2025), *Alpha Data*.

to challenge decisions. Vulnerable individuals must be able to access human support when needed, and no AI system should be a barrier to fair treatment.

6. Conclusion

6.1. AI represents a transformational opportunity for UK financial services. With appropriate investment in skills, infrastructure, and governance, it can improve operational efficiency, financial inclusion, and customer service, while maintaining market integrity and stability.

6.2. QA recommends that the Government continue to prioritise workforce development in AI, support cross-sector collaboration on AI safety and cybersecurity, and establish regulatory clarity on AI ethics and accountability. Through these actions, the UK can position itself as a global leader in responsible AI innovation in financial services.

6.3. QA stands ready to contribute to this agenda through our training programmes, research, and collaboration with public and private stakeholders.

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[9] QA (Jan 2025), *Written evidence submission to PAC's Use of AI in Government Consultation.*