



Market and Insights Report - Software Testing in Financial Services

Created by UK Research and Insights

—
Q2 2025



Contents

01	Market overview	05
02	Key Trends	06
03	Trending Topics	07
04	Headwinds and tailwinds	08
05	World Quality Report 2023-24: Sector insights	09
06	Generative AI and Software Testing	10
07	Recent developments	11
08	Appendix	15

Executive Summary



Daryl Elfield

Partner,
Quality Engineering & Testing

Welcome to the second edition of our Software Testing Market Insights report.

This quarter, we are focusing on the Financial Services sector, which accounted for a massive **31%** of the spend on software testing last year. And given the regulatory impacts associated with DORA and the EU Accessibility and AI Acts, we predict this market dominance is likely to continue this year and next.

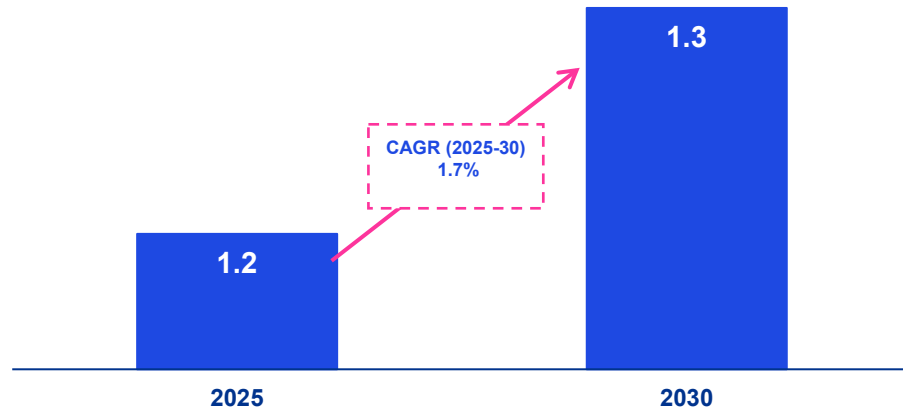
Enjoy the report and let us know if you'd like to contribute to a future edition.

Market Overview – Software testing in Financial Services

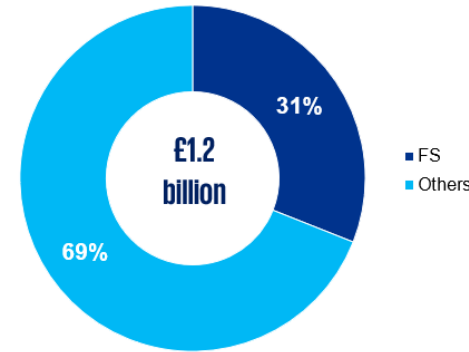
Market Overview – Software testing in Financial Services

The Financial Services (FS) sector is expected to outpace growth in the broader Software Testing market due to the increasing rate of software product delivery, regulatory compliance requirements, adoption of new technology, and the integration of artificial intelligence (AI)

UK software testing market (£ billion)



Software Testing market - Sector split (2025)



Sector in focus

The **FS sector** is expected to account for 31 percent share of the **UK software testing market** with the revenue of **£370.7 million in 2025**. In Europe, the FS, banking and insurance sectors lead the software testing market, at a market share of **28.5 percent-valued at approximately US\$12.8 billion (£12.3 billion)**

- Revenue from FS companies is trending upwards, owing to the banks and other **financial institutions developing or overhauling their online account services** and related mobile applications
- The need for non-functional testing, **specifically security testing** is in demand, as FS sector companies, continue to develop and expand their web and mobile applications

Key highlights

- The market expansion is driven by **rising levels of business investment, government initiatives** to facilitate technology growth, increased **adoption of cloud-based solutions, and the expansion of automated functional testing**
- The **rising complexity of emerging cyber threats and new data protection laws have boosted the need for network upgrades** and driven up spending on cyber security software. As a result, this has increased the demand for **non-functional** software testing
- Over the past two decades, the increase in **outsourced testing services** has led to increased competition from overseas testing providers, challenging testing opportunities in the UK
- **Digital transformations are creating a greater need for software testing**. Industries from banking to retail are increasingly shifting their operations online, prompting an uptick in demand for testing services in these markets to ensure the smooth functioning of digital platforms

Notes: (1) FS denotes Financial Services; IT denotes Information Technology; PS denotes Public Sector; MT denotes Media and Telecom; CPG denotes Consumer Packaged Goods; Others include Manufacturing, Healthcare, E-commerce, Food and Beverage, Education, and Pharmaceuticals, USD to GBP conversion done with [Qanda tool](#) as of 31 January 2024

Source(s): IBISWorld, [Software testing statistics](#); all accessed on 24 December 2024

FS Sector Trends

Omnichannel Banking, Open Banking, Banking as a Service, and RegTech in the UK are rapidly growing, transforming the digital banking landscape and driving expansion in the Software Testing market in the UK

Omnichannel Banking

- Omni-channel banking is a unified approach to banking services that provides customers with a seamless and integrated experience across various channels, including in-person branches, online banking, mobile apps, ATMs, and more
- The **UK's digital banking sector** is expected to grow at **8.4 percent**, reaching over **US\$2.5 billion by 2025**, up from around US\$1.5 billion in 2018, as per a report by OMR Global
- In 2023, over **90 percent** of British people used online or mobile banking, according to a report by Compare Banks. By 2028, nearly **45 percent** are expected to have digital-only bank accounts
 - The report also states that only **20 percent** do not want to open digital-only banks, and their main concern is security when using the internet for banking

Banking as a Service

- Banking as a Service (BaaS) is an end-to-end model that allows digital banks and third-party providers to connect with banks' systems directly via APIs¹, enabling them to build banking offerings on top of the providers' regulated infrastructure
- The UK BaaS platform market is expected to grow at a CAGR of **16.8 percent**, to reach **US\$7.3 billion by 2033**, as per a Future Market Insights report
- According to a report by Mordor Intelligence, the UK is the key BaaS market in Europe, with approximately **25 percent of Europe's market share**, mainly due to a strong presence of BaaS platform providers



Open Banking

- Open Banking is a system that allows third-party financial service providers to access consumer banking, transaction, and other financial data through the use of APIs¹. With the customer's consent, banks share their data with these third parties, enabling them to create new products and services
- The UK Open Banking market is projected to generate **US\$14.5 billion in revenue by 2030**, with an expected CAGR of **26.4 percent** from 2024 to 2030, according to a report by Grand View Research
- A December 2024 survey by Open Banking Limited reported **12 million** active open banking users in the UK, with **224 million payments made**, an increase of **72 percent** from 2023

RegTech

- RegTech involves the use of advanced technology to automate and streamline various aspects of regulatory compliance to help organizations comply with regulatory requirements more efficiently and effectively
- The UK RegTech industry is expected to grow at a CAGR of **16.4 percent** from 2024 to 2029, increasing from US\$526.6 million in 2023 to **US\$1.4 billion by 2029**, as per a report by Global Newswire
- A 2024 Grant Thornton survey conducted in the UK found that **77 percent** of the respondents expect more regulatory requirements this year, a **12 percent** rise from last year. This indicates that regulatory transformations are likely to persist, projecting further growth in the RegTech sector

Impact on software testing market

With increased demand for secure, reliable, and compliant applications, specialised testing services focusing on security, compliance, integration, and performance will become essential. Additionally, the complexity and scale of these financial technologies will drive the adoption of automated and AI driven testing solutions, opening new opportunities and challenges for testing professionals.

Note: (1) Application Programming Interfaces (APIs)

Source: [Digital banking sector](#), OMR Global; [Digital Banking Statistics 2025](#), Compare Banks; [UK banking as a service \(BaaS\) platform](#), Future Market Insights; [UK BaaS Market](#), Mordor Intelligence; [UK Open Banking Market](#), Grand View Research; [Open Banking Limited survey report](#); [United Kingdom Regulatory Technology Business](#), Global Newswire; [RegTech and Regulatory Change report 2024](#), Grant Thornton; accessed on 28 January 2025



© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Public

FS Testing Trends

A dynamic shift in the UK software testing market in financial services, driven by technology and regulatory pressures, that ultimately aims for improved efficiency, compliance, and security in software delivery processes



Note: (1) CBEST denotes Critical National Infrastructure Banking Supervision and Evaluation Testing

Source: [Software Testing Market Report 2025](#), [Software Testing for Banking & Financial Services](#), [UK financial services sector poised for a tech 'Big Bang 2.0' in 2024 - Always Finance News](#), [Financial Services predictions for 2025 | Johnston Carmichael](#), [10 Banking and Fintech Software Development Trends in 2024: What to Focus On](#), [Top 5 Trends in the UK Financial Services Industry](#), [FinTech Software Development in the UK: A Comprehensive Overview | Disrupto](#); accessed on 24 December 2024

Economic uncertainty and potential impact on FS testing Job Market



Keith Klain

Director,
Quality Engineering & Testing



Shortages in testing talent and the need to respond rapidly to market, regulatory, and technology changes in financial services means investing in software testing will continue at pace.”

Headwinds and tailwinds

UK software testing market for financial services benefits from trends such as digital transformation and regulatory compliance, it also faces challenges related to cost pressures and skill shortages

Headwinds

Economic uncertainty

The UK financial services sector is currently navigating economic challenges such as high inflation (2.5 percent in December) which can limit investment in new technologies and software testing initiatives. Economic turbulence was identified as a primary concern by 44 percent of decision-makers in the sector

Talent shortages in software testing

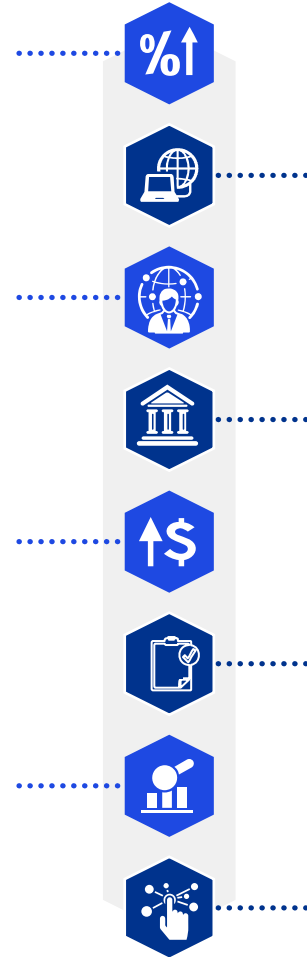
A significant challenge facing the industry is the shortage of skilled professionals in software testing. The rapid expansion of digital initiatives has outpaced the availability of qualified testers, leading to increased competition for talent and potential project delays

Investment funding for testing

Implementing comprehensive software testing frameworks can involve substantial upfront investments, particularly for smaller firms or those transitioning from legacy systems. This financial barrier can deter organisations from fully committing to necessary testing protocols

Unrealised automation benefits

Despite the shift towards automated testing, many financial have not realised the benefits of these methods. Approximately 85 percent of software in this sector lacks sufficient investment in test tools, with 58 percent of testers citing underinvestment in test automation as a primary reason for insufficient testing



Digital transformation initiatives

Financial institutions are heavily investing in digital transformation to enhance customer experience and operational efficiency. The demand for software testing services is amplified as banks and financial firms adopt technologies like AI, ML and cloud computing. For instance, 80 percent of banks recognise the benefits of AI and ML in improving customer interactions and operational processes

Open banking and fintech collaboration

The rise of open banking has created opportunities for financial institutions to collaborate with fintech companies, enhancing service offerings through innovative solutions. This collaboration often requires extensive software testing to ensure integration and functionality across platforms, further boosting the demand for testing services

Regulatory compliance requirements

The financial services sector is subject to stringent regulatory standards, necessitating rigorous testing to ensure compliance with laws such as the Consumer Duty introduced in July 2023. This has led to a heightened demand for quality assurance services to mitigate risks associated with regulatory penalties, which affected 36 percent of firms in the past year due to compliance failures

Emergence of No-Code Testing Solutions

The introduction of no-code test automation tools can facilitate automated testing without requiring extensive coding skills. This access to automation capabilities can enable teams with varied skill sets to contribute effectively

Tailwinds

Source: [4 Key Digital Transformation Trends in 2024 for Financial Services – Optima](#), [Report: Using Synthetic Data in Financial Services](#), [Davies Research Report - Final - PRINT.pdf](#), [Software Testing Services for the Financial Industry | Prolifics Testing](#), [Software Testing Services in the UK - Market Research Report \(2014-2029\)](#), [Bridging the Software Tester Skills Gap in the UK - TSG Training](#), [10 Key Focus Areas for UK-Regulated Financial Services Firms in 2024](#) Navigating the Complexities: 2024 Challenges for Financial Services - Assurance Programme Solutions UK; accessed on 9 January 2025

World Quality Report 2023-24: Sector insights

AI is reshaping quality engineering practices across industries, with financial services being a key sector driving this change. However, challenges remain around infrastructure, skills, and ensuring responsible AI adoption

01

Shift in focus from functional to non-functional testing

- The focus has shifted from automating functional testing to non-functional testing
- This change has prompted FS firms to revisit their testing programmes and modernise them
- Integrating generative AI is becoming important for lifecycle automation

02

Importance of quality engineering in an AI-driven world

- FS firms are showing a growing interest in quality engineering and AI integration in their processes
- Higher productivity and speed are top contenders for AI-driven quality outcomes
- Firms are showing a varying approach based on their business maturity level and data security concerns

03

GreenIT as a significant investment in Financial Services

- The sector is witnessing a growth in GreenIT and sustainability in the form of infrastructural optimisation and automation
- The environmental impact generated by the IT industry is driving businesses to consider GreenIT as part of their strategic discussions

04

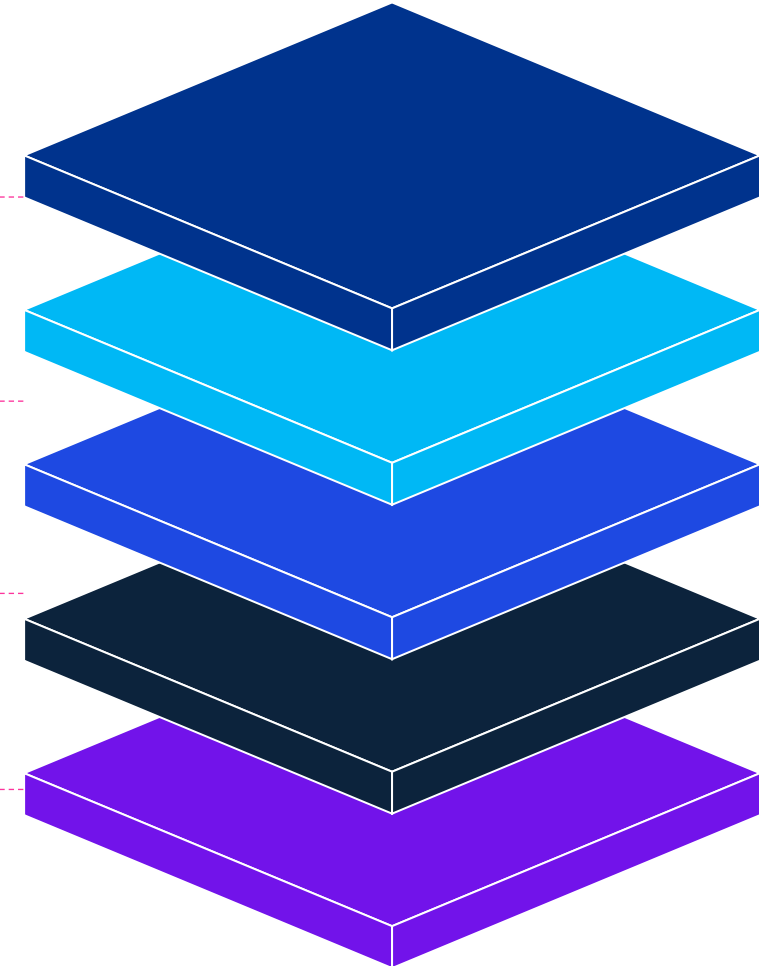
Challenges in quality engineering ecosystem

- A key challenge for FS firms, is in arranging the right test environments and data points
- Another challenge is the infrastructural changes required to transform legacy systems
- Skill gaps identified as an impediment to automation and quality engineering plans

05

Outlook for FS firms

- FS firms will have to make major infrastructural changes to set up a quality engineering ecosystem
- Training testers with diverse skill set encompassing both quality engineering and test automation
- Collaboration between different functions within the firm is the key for a successful AI integration



Source: [WQE 2023-24](#), all accessed on 8 January 2025

Gen AI/ recent developments



Sushmita Saraswat

Senior Manager,
Quality Engineering & Testing



Organisations should develop comprehensive quality ecosystems to guarantee data transparency and security as generative AI becomes integral to QA processes.”



Angela Wallace

Lloyds Banking Group,
Quality Engineering Centre
Of Excellence Lead



AI is the biggest breakthrough in unlocking test productivity since automation testing.”

Generative AI and Software Testing

Generative AI is poised to significantly contribute to test automation and enabling organisations to refocus on complex challenges within quality engineering

According to the World Quality Report, published by Capgemini, generative AI will play a significant role in quality engineering, and could potentially redefine the capabilities within quality engineering, with expectations for higher productivity and efficiency gains

Key takeaways

- **Investment in AI solutions:** Approximately 77 percent of organisations are investing in AI solutions to advance their quality transformation agendas, indicating a strong trend toward integrating AI into testing processes
- **Challenges with AI adoption:** Despite the enthusiasm for AI, concerns exist regarding security, privacy, and potential biases in AI outcomes. About 31 percent of respondents express skepticism about the value of AI in quality assurance (QA), highlighting the need for a careful, incremental approach to implementation
- **Automation and efficiency:** Generative AI is expected to enhance automation in testing, which can lead to significant efficiency improvements. This includes automating repetitive tasks and enabling intelligent test generation based on user behaviour
- **Addressing legacy system issues:** Many organisations face challenges with legacy systems that complicate testing processes. Generative AI can help mitigate these issues by providing advanced testing methodologies tailored to older technologies
- **Quality ecosystems evolution:** The report notes a rapid evolution in quality ecosystems, driven by cloud adoption for test environments. Generative AI is expected to play a crucial role in this transformation, particularly as organisations modernise their application portfolios
- **Need for holistic quality ecosystems:** As generative AI becomes more integrated into QA processes; organisations will need to build holistic quality ecosystems that ensure data visibility and security across all functions
- **Focus on customer experience:** The integration of generative AI into testing strategies is seen as essential for delivering superior customer experiences. This includes rigorous testing of interconnected products to meet demanding customer expectations and regulatory pressures
- **Sustainability Considerations:** Organisations are increasingly recognising the role of QA in driving sustainability initiatives. Generative AI can support these efforts by improving transparency and accountability in measuring sustainability practices

KPMG CEO Outlook 2024

Some key highlights from KPMG's CEO Outlook 2024, regarding generative AI are:

- Around 64 percent of the global CEO's indicated that they would invest in generative AI, irrespective of the economic conditions in 2024
- Generative AI is now a top priority for two-thirds of UK CEOs, and around 68 percent of the respondents consider it as an investment priority for their organisations
- Although investing in generative AI is a priority, UK CEOs lack confidence in the quality of their data, with just 43 percent of them ready to integrate generative AI into their offerings

In conclusion, the investment in generative AI and its integration into workstreams is expected to create room for strategic R&D, and increased demand for software testing services

Source: [WQE 2023-24](#), [KPMG 2024 CEO Outlook](#), [KPMG 2024 CEO Outlook – UK](#), all accessed on 6 November 2024.



© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Document Classification: KPMG Public

Areas of Testing where AI/ Gen AI can help accelerate and our experience in the implementation journey

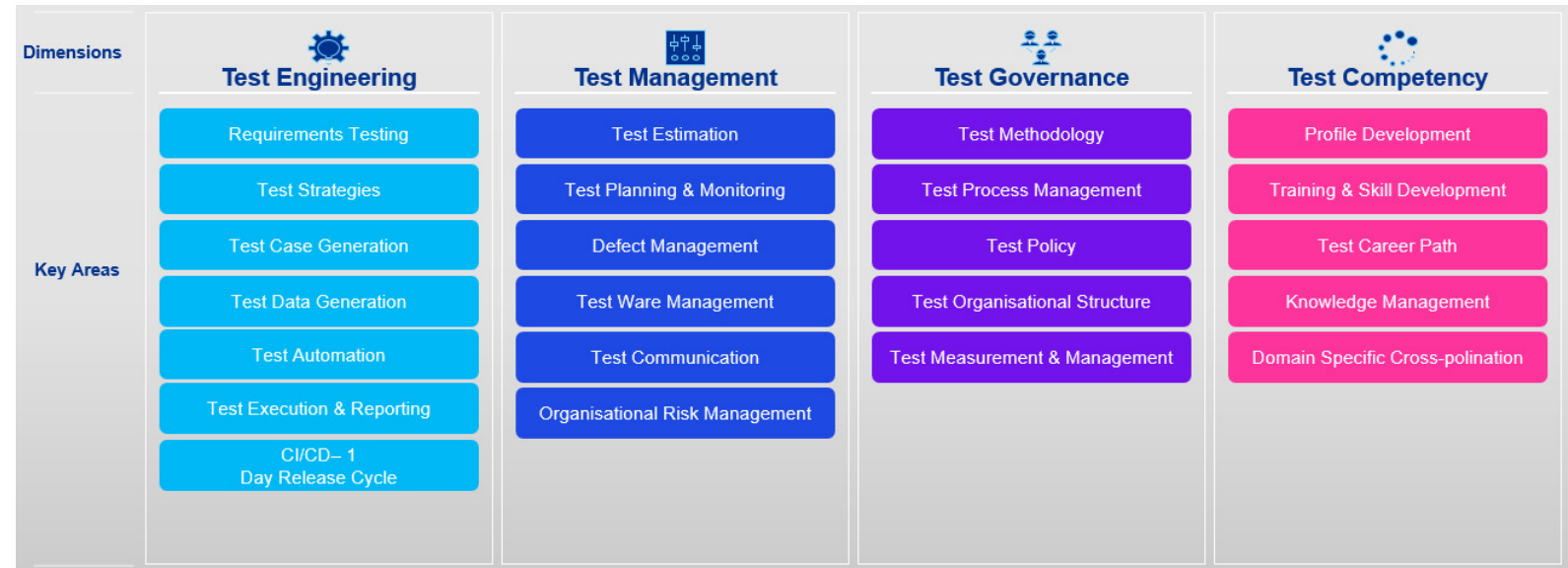
Generative AI is poised to significantly contribute to test automation and enabling organisations to refocus on complex challenges within quality engineering

KPMG CEO Outlook 2024

Some key highlights from KPMG's CEO Outlook 2024, regarding generative AI are:

- Around 64 percent of the global CEO's indicated that they would invest in generative AI, irrespective of the economic conditions in 2024
- Generative AI is now a top priority for two-thirds of UK CEOs, and around 68 percent of the respondents consider it as an investment priority for their organisations
- Although investing in generative AI is a priority, UK CEOs lack confidence in the quality of their data, with just 43 percent of them ready to integrate generative AI into their offerings

In conclusion, the investment in generative AI and its integration into workstreams is expected to create room for strategic R&D, and increased demand for software testing services



Organisations are augmenting “AI” across different dimensions of Testing to optimise planning, resource allocation, defect prediction, risk identification and recommending personalised learning paths.

Source: [WQE 2023-24](#), [KPMG 2024 CEO Outlook](#), [KPMG 2024 CEO Outlook – UK](#), all accessed on 6 November 2024

Recent developments

Financial institutions and technology firms are collaborating to enhance software testing capabilities, focusing on automation, compliance, and security challenges to improve IT infrastructure and accelerate digital transformation.

1

24 September 2024

UK-based **Metro Bank** signed a long-term software testing and implementation agreement with Infosys. This deal aims to upgrade the bank's IT and software functions, while digitally transforming its operations. [Link](#)

2

30 October 2024

Finastra, a UK-based financial services software applications provider, extended its strategic partnership with DXC Luxoft and RightClick Solutions to enhance managed services for treasury and capital markets clients, which includes software testing capabilities. [Link](#)

3

26 November 2024

De Novo Solutions, a Wales-based company, launched a new testing platform focused on financial processing. They formed a strategic partnership with Opkey, an automated testing firm, to enhance their software testing capabilities. This initiative aims to address compliance and security challenges faced by financial services clients. [Link](#)

4

8 January 2025

Testhouse, announced a strategic partnership with LambdaTest, a cloud-based platform for cross-browser testing, to enhance the software testing process across web and mobile applications for BFSI and other industries. [Link](#)

5

13 January 2025

Izertis, a technology consulting firm, acquired Assured Thought, a UK-based company which specialises in quality engineering, quality control and software testing consulting services for financial services firms. [Link](#)

References

Overview

1. IBIS World Report UK Software Testing Market [Link](#)

Key trends

1. Software Testing Global Market Report The Business Research Company [Link](#)
2. Software Testing for Banking & Financial Services Celtic QA [Link](#)
3. UK financial services sector poised for a tech 'Big Bang 2.0' in 2024 Always Finance News [Link](#)
4. Financial Services predictions for 2025 Johnston Carmichael [Link](#)
5. 10 Banking and Fintech Software Development Trends in 2024: What to Focus On LinkedIn [Link](#)
6. Top 5 Trends in the UK Financial Services Industry LinkedIn [Link](#)
7. FinTech Software Development in the UK: A Comprehensive Overview Disrupto.co.uk [Link](#)

Trending Topics

1. Digital banking sector OMR Global [Link](#)
2. Digital Banking Statistics 2025 Compare Banks [Link](#)
3. UK banking as a service (BaaS) platform Future Market Insights [Link](#)
4. UK BaaS Market Mordor Intelligence [Link](#)
5. UK Open Banking Market Grand View Research [Link](#)
6. Open Banking Limited survey report Open Banking Limited [Link](#)
7. United Kingdom Regulatory Technology Business Global Newswire [Link](#)
8. RegTech and Regulatory Change report 2024 Grant Thornton [Link](#)

Headwinds and tailwinds

1. 4 Key Digital Transformation Trends in 2024 for Banking and Financial Services Optima [Link](#)
2. Using Synthetic Data in Financial Services FCA [Link](#)
3. Davies Financial Services Insights Report 2024 UK Finance [Link](#)
4. Financial Services Testing Prolifics Testing [Link](#)
5. IBIS World Report UK Software Testing Market [Link](#)
6. The skills gap of software testers in the UK in 2024 TSG Training [Link](#)
7. 10 Key Focus Areas for UK Regulated Financial Services Firms in 2024 Latham & Watkins [Link](#)
8. Navigating the Complexities: 2024 Challenges for Financial Services AP Solutions [Link](#)

World Quality Report 2023-24: Sector insights

1. World Quality Report Capgemini [Link](#)

Generative AI and Software Testing

1. World Quality Report Capgemini [Link](#)
2. KPMG 2024 CEO Outlook [Link](#)
3. KPMG 2024 CEO Outlook UK [Link](#)

Recent developments

1. Various Sources (Links provided in the slide)

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.



kpmg.com/uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Document Classification: KPMG Public

CREATE: CRT161733A | May 2025