Test More, Fear Less:

The Case for Safer, Smarter Banking Innovation

SaaScada
data driven core banking

Executive Summary

Banks have been under increasing pressure to transform for decades, but the industry has finally reached breaking point. Disruptive technologies like Agentic AI are emerging at ever shorter intervals.

Customer needs are shifting as expectations rise. And global trade volatility is forcing banks to move at a greater pace than ever before. Today, months-long innovation cycles are no longer viable.

But speeding up banking innovation is no easy feat. Banking leaders are constantly hindered by immovable legacy technology, cultural risk aversion and lengthy, costly purchasing processes.

This report explores the challenges banks face when trying to operate at speed, the impact of slow innovation, and how a new approach to core banking can boost experimentation and velocity. Our study of 150 innovation leaders at UK banks found that:

- **69% say pressure to innovate has increased in the past year** – driven by rising customer demand, a need to diversify and compel growth, and competitive threats.

- **90% face barriers to innovating at speed** – testing bottlenecks, risk-averse leadership, compliance red tape and restrictive core banking platforms hold them back.

- **Three-in-four banks take over a day to respond to simple requests** – on average it takes 65 days just to implement a base rate change and 69 days to respond to a customer request about under or over payments on lending products.

- **80% say slow innovation is hurting their business** – they are struggling to attract and retain talent, wasting resources, losing their competitive edge and wallet share.

- **To enable faster innovation, 82% of banking IT leaders want a safe and cost-effective way to experiment and test products** – with 61% agreeing that a shift to a pay-by-the-hour consumption-based model of core banking is long overdue.

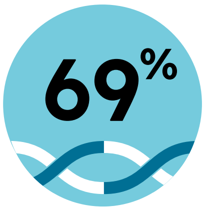
The heat is on: Banks must diversify fast or face a rapid decline

More than two-thirds (69%) of banking innovation heads say the pressure to innovate and launch new products or services has increased in the past year, with 22% saying this pressure has increased significantly.

Of those who had felt greater pressure to innovate, the top five factors driving this increase were:

- **Customer demands:** there's rising demand for specialised services, such as sustainable banking
- **Competitive threats:** neobanks, fintechs, and embedded finance providers are under increasing pressure
- **Growth imperative:** diversification is essential to drive business growth
- **Economic uncertainty:** inflation, interest rate volatility and global instability are forcing banks to find new revenue streams
- **Customer retention challenges:** banks are losing share of wallet and seeing higher customer churn

To meet these growing demands, banks must be able to launch innovative new products faster.



of banking IT leaders say pressure to innovate has increased in last 12 months

"The writing is on the wall for banks that can't innovate at pace. The last few months have shown us what a difference a day can make. In a world of tariff shocks, geopolitical turmoil, and volatile rates, slow movers won't just fall behind — they'll be dropped by customers and lose wallet share to more agile players."

Steve Round, Co-Founder and President, SaaScada

Three barriers to banking innovation – testing delays, risk-aversion & restrictive tech

Testing delays & stifled experimentation

Testing phase delays were the most common challenge hindering banks' ability to innovate at speed. Yet a significant number of respondents also noted that high upfront investment of time and resources limited their ability to experiment, and that lengthy RFP processes make it hard to get projects off the ground.

This inability to experiment and test new solutions or features quickly and cost-effectively is hamstringing banks' ability to move at pace – with four-in-five (82%) lamenting that they need a safe and cost-effective way to experiment and test products.

82%

want a safe and cost-effective way to experiment and test products.

71%

think innovation is impossible when risk-averse culture and red tape kill experimentation.

Compliance red tape & risk-averse culture

The second biggest barrier identified was having risk averse leaders who are reluctant to sign off on new projects. Relatedly, the third most-cited barrier was compliance red tape and regulatory hurdles slowing down innovation. It's perhaps unsurprising that 71% of banking innovation leaders think innovation is impossible when risk-averse culture and red tape kill experimentation.

Restrictive core banking technology

Legacy technology is also still a clear challenge for banks when trying to innovate. In fact, 62% of respondents say their legacy core banking is choking innovation and they're running out of air. Furthermore, banks said restrictive core banking platforms that make it hard to make changes quickly were a top cause for sluggish innovation - while others cited legacy integration and compatibility issues as key blockers.

65%

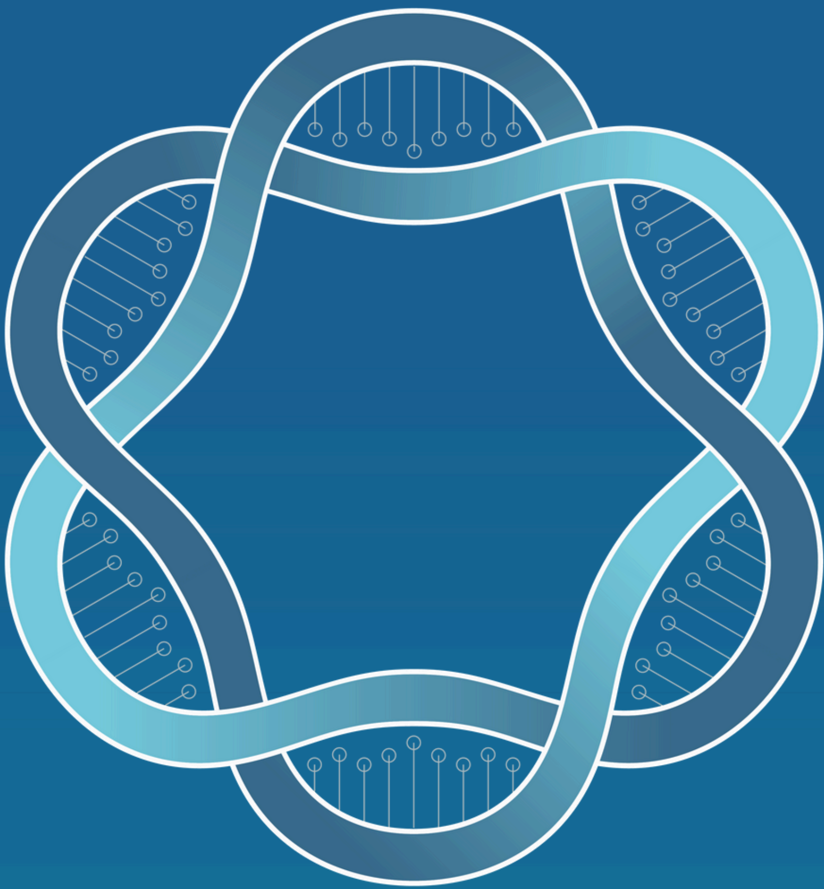
say their outdated core banking tech is a competitive deadweight.

Banks stuck between a rock and a hard place on core banking migration

Despite the need to modernise, 63% of banking innovation leaders say ripping out their core banking platform is too costly and risky, so they're stuck with second-best.

Furthermore, almost half (49%) say they'd rather quit than go through another core banking migration.

There is a clear need to find a middle ground, with four-in-five (79%) saying the industry must make core banking migrations less risky or accept falling behind.



With pressure to innovate, many banks are finding they are working with their hands tied behind their backs. In fact, 90% reported multiple barriers preventing them from moving at the speed they need.

The top challenges hindering UK banks' ability to innovate at speed:

#1. **Testing phase delays** (e.g. issues with setting up sandbox environments).

#2. **Risk-averse leaders'** reluctance to sign off on new projects.

#3. **Compliance red tape** – regulatory hurdles slowing down innovation.

#4. **Restrictive core banking platforms** make it hard to make changes quickly.

#5. **Inability to hire and retain talent.**

#6. **Legacy integration and compatibility issues.**

#7. **High upfront investment** of time and resources limits experimentation.

#8. **Lengthy RFP processes** make it hard to get projects off the ground.

A striking gap between those that can and those that can't

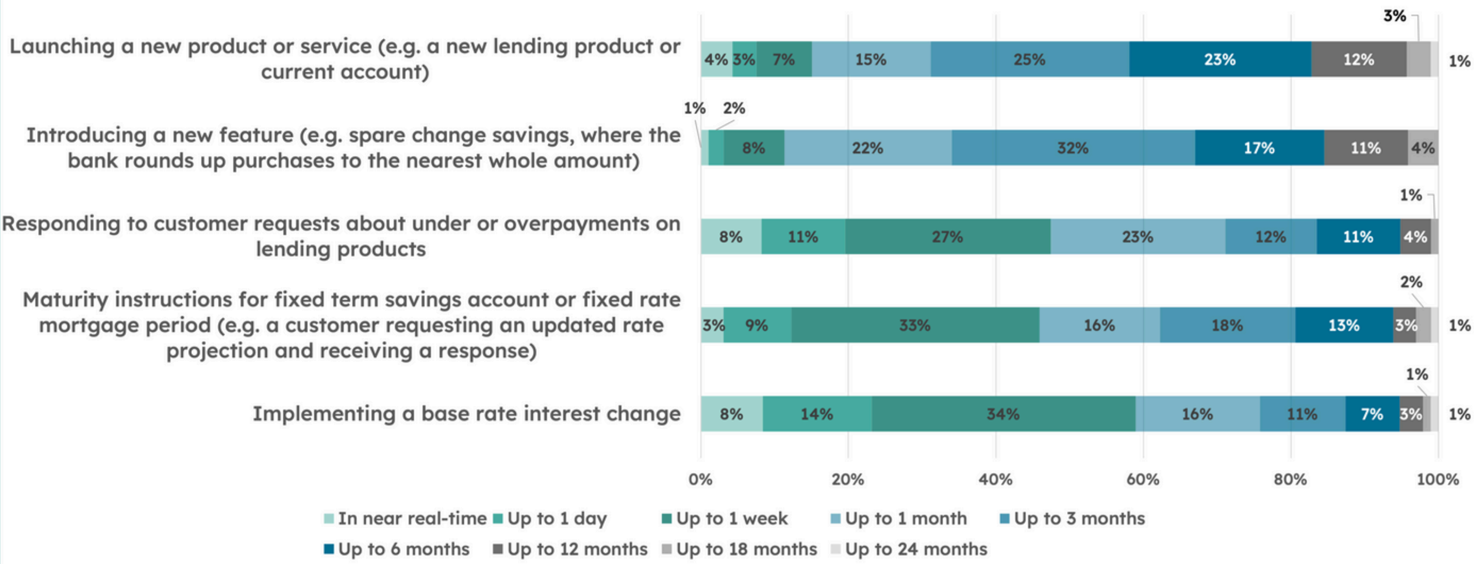
These barriers to innovation result in sluggish execution on the frontline for many banks. While some can make changes, launch features and products and respond to requests within days, others take more than a year. On average, it takes months to make even the smallest of changes.

The divide between banking leaders and laggards is stark. While one in five banks (22%) can implement a base interest rate change in less than a day, a similar number (23%) reported the same task taking up to three months or more.

Worryingly, customer requests for information are also subject to significant delays. Only 12% of banks can respond to a customer request for an updated rate projection within a day, while 37% said it would take over a month. Similarly, just 19% could respond in less than a day, and only 8% in real-time, to customer requests about under or overpayments on lending products.

While a third of respondents are able to make more complex changes – such as introducing a new feature (33%) or launching a new product or service (29%) – in under a month, more than a tenth take upwards of six months.

Fig 1: Average time taken to introduce the following using the respondents' core banking platform



"Banks don't live in a vacuum. We live in a world where the global trade landscape can change in 48 hours, so banking leadership must ask themselves – how can we respond to a sudden geopolitical shift when even the most simple change takes two months?"

Nelson Wootton, Co-Founder and CEO, SaaScada

Disconnect between strategists' and practitioners' perceptions of time

The data shows the respondents who are closest to product development and delivery believe introducing products, features or changes will take significantly longer than more senior peers focused on business strategy – uncovering a disconnect between the strategists in the boardroom and practitioners on the ground.

For example, when asked to estimate the length of time for a launch of a new product or service, we can see that:

- Those directly involved with product development and delivery (i.e., Head of Transformation, Head of Innovation, Product Owners and Product innovation Specialists) said it takes 176 days to launch a new product or service.

- Those involved in operations and software delivery more broadly (i.e., CIO, CTO, Head of Digital Banking, Innovation Consultants, Chief Digital Officers) predicted 146 days.

- But the people who set the high-level business strategy around innovation (i.e., CEO and Chief Innovation Officer) think it can be achieved in just 70 days.

The business impact of stalled innovation

80% say that barriers to innovation have impacted their business - from challenges with talent attraction and retention, through to lost competitive edge and loss of wallet share. Worryingly, one of the biggest impacts is on banks' ability to attract and retain top talent, which could mean that lack of innovation continues to perpetuate itself.

73%

say the industry will never be a destination for talent if it can't get its act together on innovation.

Summary of the most common impacts of innovation challenges on UK Banks.

#1. Talent attraction and retention challenges: employees want to work on exciting projects.

#2. Wasted resources: time and effort could be better deployed elsewhere.

#3. Lost competitive edge: competitors steal our thunder, launching similar products while ours remain in development.

#4. Customer retention issues: loss of share of wallet and market position.

#5 Falling behind: sa slowness to introduce new capabilities makes them appear more dated.

"Senior leaders should be deeply concerned that sluggish innovation will drive away the best talent. A talented software engineer won't want to work for a bank that takes months to roll out a new feature. This is setting up a vicious spiral where banks will be less and less able to source the right talent for disruptive projects, seeing them fall further behind tech-savvy neobanks and challengers. Instead, banks must choose core banking technology that enables product owners to implement updates like new interest rates instantly, or even automates the process, so engineers can focus on adding value instead."

Steve Round, Co-Founder and President, SaaScada

Banks need a safe way to test and innovate at pace

To modernise without exposing themselves to unnecessary financial, technical or operational issues, banks must de-risk the testing and launching of new features, products and services at pace.

61% **agree that banks have already embraced pay-by-the-hour cloud services. The commodification of core banking, shifting to a similar consumption-based model, is long overdue.**

By adopting a cloud-native core that runs parallel to existing systems, banks can build and test new offerings connected to real-time customer data from day one. This means:

- **Saying goodbye to RFPs and costly experiments** – RFPs often require hundreds of hours of work from employees and costly external consultants to complete, and become so restrictive that no experimentation can be done - hindering innovation and wasting time and money making a costly decision before banks can even see how the product will work in their environment - instead, banks should be able to try out a new core on a "by-the-hour" basis, eliminating needless risk, time and cost.

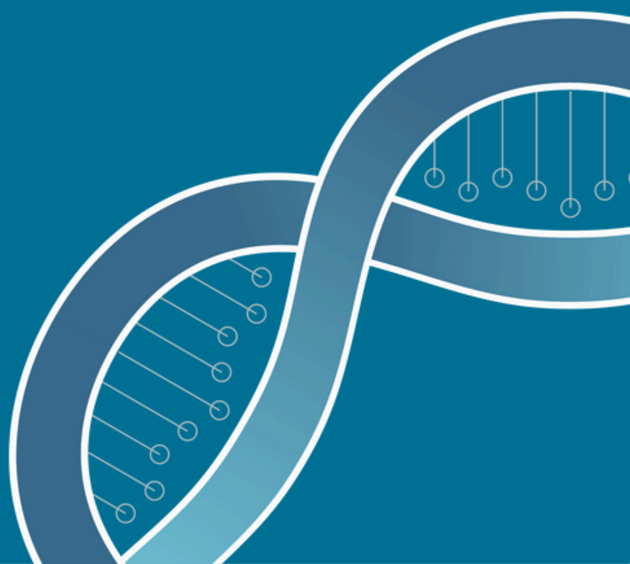
- **Instant testing and collaboration** – instead of a limited sandbox that is created months after signing up, banks can access a real-world platform instance straight away, enabling cross-functional teams to experiment and validate in real time.

- **Migrating at your own pace** – operate the new core in conjunction with legacy technology, creating new products and services to demonstrate quick wins, while slowly migrating existing infrastructure across to avoid disruption. This process can be streamlined by gathering unstructured real-time data in the new core, so data can be pulled in whatever form is needed to fit with reporting requirements and reduce the pain of compliance.

"In every other facet of the financial services industry, solutions have moved to a consumption-based model that lets users try out the real thing before going in blind, and test new products without being held back by legacy tech. It's time that core banking technology followed suit.

"By plugging in or adopting a truly cloud-native core, banks can start experimenting from day one without committing to pointless RFPs or experiencing months of delays from legacy core banking platforms. If banks can't modernise and supercharge their testing capabilities, they will quickly find themselves out of touch, out of time, and out of business."

Nelson Wootton, Co-Founder and CEO, SaaScada



Methodology

The data was gathered in March 2025 from 150 UK-based business heads/C-Suite staff at retail and business banks who are responsible for product innovation (e.g. Heads of Digital Transformation/CTOs/Chief Innovation Officers/Heads of Innovation/CEO). The banks had a balance sheet size of £0.5Bn – £100Bn.

About SaaScada

SaaScada is a data-driven core banking engine built using cloud-native technology to deliver lightning-fast data speeds and flexibility. SaaScada's unified product hub makes it easier, cheaper, and faster to build a range of feature-rich products to deliver great customer outcomes via open APIs to the partner ecosystem.

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