

ACT'S ANNUAL



POLICY PRIORITIES FOR STARTUPS, SCALEUPS, & SMES

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About ACT

Who We Are

ACT is a global technology trade association representing startups, scaleups, and small and medium-sized enterprises (SMEs). We work directly with our members worldwide to advocate for a policy environment that takes into account their real-world challenges and supports innovation, access to capital, job creation, and the ability of small technology companies to grow and compete globally.

Who Our Members Are

Our members are entrepreneurs, independent developers, and small firms building software, hardware, and digital services across the global economy. They develop mobile and AI applications, manufacture connected devices, and deliver B2B and B2C solutions across sectors including agriculture, cybersecurity, education, healthcare, entertainment, and hospitality. While their business models vary, they share common priorities on global tech policy issues that directly affect their companies along with concerns about innovation, competition, and economic growth.

Our Policy Issues

ACT's policy agenda is driven by our members and focused on advancing clear, scalable regulatory frameworks that enable small technology companies to innovate and grow. We engage with policymakers on issues critical to the future of technology and innovation including artificial intelligence, online safety and privacy, competition, digital trade, and digital health. We also advocate on core small business priorities such as mergers and acquisitions, tax policy, and workforce development.



What We Do

ACT connects policymakers with the real-world perspectives of small tech entrepreneurs by:



Providing direct insight from startups, scaleups, and SMEs on how policy decisions affect innovation, jobs, and competitiveness



Educating policymakers and staff through briefings, roundtables, and events focused on small tech businesses' needs



Advocating on specific policy proposals through letters and formal communications to government leaders



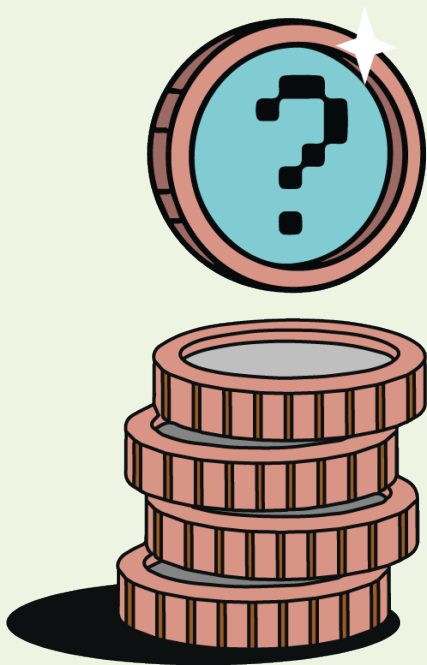
Meeting directly with regulators and officials worldwide to explain the practical impacts of regulatory and legislative priorities



Participating in formal consultations and comment processes to provide detailed, on-the-ground feedback on global technology policies

Financing and Funding a Tech SME Revolution

The United Kingdom is one of the best countries in the world to create a startup, but companies can find it hard to scale and often turn outside of the UK for growth opportunities. Look in the industrial estates and university campuses of any town or city, and you will find exciting innovators and entrepreneurs with amazing ideas. But the UK funding system is so broken that startups have no choice but to look abroad for investment. Specifically, there are almost no funding options between £350,000 and £1.5 million, the gap businesses reach just as they are ready to scale. This is bad for innovation and bad for the UK economy as a whole. It doesn't have to be this way.



Why Access to Finance Matters to Startups, Scaleups, and SMEs

SMEs in the UK face significant barriers accessing finance once they are moving beyond that initial startup phase. Funding applications are incredibly complex, bureaucratic, and time-consuming, and many startups lack the knowledge and resources to enter these processes when there is no guarantee of success. As a result, finance often ends up in the wrong place, and innovation is stymied because of a lack of administrative expertise.

Even when SMEs seek funding, bureaucratic processes take months, or even longer, meaning that money is not in place when needed. Meanwhile, qualification criteria are arbitrary and inconsistent, causing legitimate applicants to miss out on capital.

ACT and our members recognise the Government's efforts to simplify this process and its ambitions for [business.gov.uk](https://www.business.gov.uk), but much more needs to be done.

Realistic Criteria

While it is understandable that funding opportunities have criteria attached to them, for businesses at the smaller end of the SME spectrum, the nature of some of the criteria can be a significant problem. A lot of funding requires demonstrating consistent revenue over multiple years. As one of our members has put it to us: *'If we had recurring revenue already, we wouldn't need the funding.'*

The Government's recent focus on funding so-called unicorns, at the expense of other SMEs, would be a huge mistake. At its worst, it would decimate the tech SME sector which offers so much potential and economic opportunity.

The Funding Black Hole

In the UK, securing initial startup seed funding up to £350,000 is relatively commonplace. And post-scale-up funding beyond £1.5 million is also generally available for the right businesses. However, if you need funding amounts between those two figures, options are scarce.

For SMEs wanting to scale, the impact is devastating. UK small tech businesses struggle to become medium and large enterprises. They're disadvantaged compared to international competitors who face no such funding gap.

What Startups, Scaleups, and SMEs Need from Policymakers

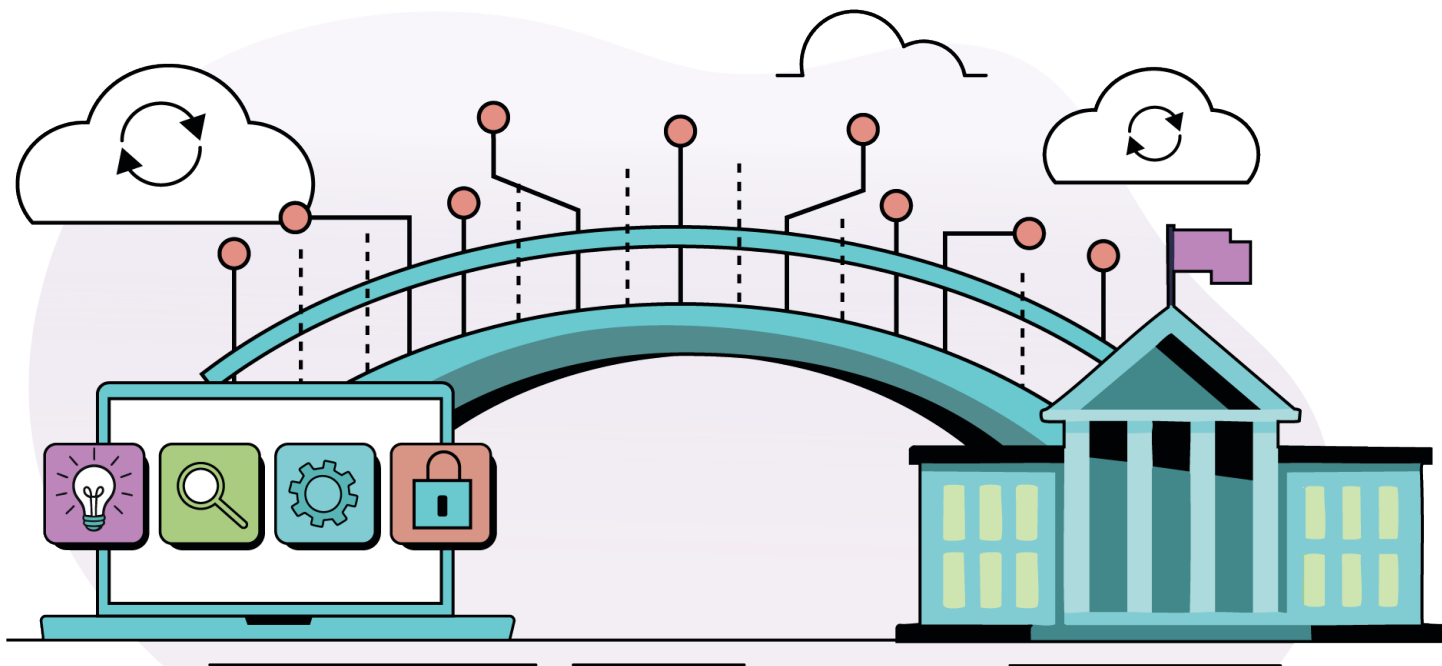
Regulators have a role to play in building a better path to finance and funding opportunities for SMEs.

The Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS) are capped at £350,000, creating much of the black hole. The fix is obvious: lift the limit to £1.5 million and close the gap. This would enable startups to grow by raising amounts between £350,000 and £1.5 million.

ACT also urges the Government to remove revenue requirements from the eligibility of all SME funding and ensure that all funding is accessible to a broad spectrum of SMEs and not only those deemed to have unicorn potential.

Additionally, we recommend the establishment of a simple, one-stop-shop for all public (and ideally private) funding opportunities where SMEs can input their details and AI is used to match them with eligible funding opportunities. The Government wants to fund SMEs, and the onus should be placed on funders not the SMEs themselves.

ACT's report on financing tech SMEs outlines these and other issues and offers clear and sensible solutions to the problems identified. These will involve minimal legislation and public spending but have the potential to offer a significant boost to SMEs and the UK economy as a whole.



Standard-Essential Patents



The UK is home to a huge array of innovative SMEs that build on technical standards. Unfortunately, abusive SEP licensing practices make it nearly impossible for SMEs to implement technical standards, undermining innovation and economic growth. These practices threaten UK companies creating incredible connected technologies that address many of society's key issues, including manufacturing, healthcare, and sustainability.

What are Technical Standards?

Technical standards, such as 4G and Wi-Fi, provide common protocols that serve as a baseline for products to interoperate. As these standards are developed, patented technologies are voluntarily contributed. Those patents are known as standard-essential patents (SEPs) when one must exercise the patent in order to use the standard. Because SEP holders are inherently positioned to control who can

and cannot use the standard as a whole, standard-setting organisations (SSOs) typically ask the SEP holder to commit to license to all on fair, reasonable, and non-discriminatory (FRAND) terms. In this way, the FRAND commitment ensures that no one is locked out of open standards. However, SEP holders that abuse or disregard their FRAND commitment distort competition, break the contract they have chosen to enter into with the SSO, and harm SMEs who need to use the standard.

Why SEPs Matter to Startups, Scaleups, and SMEs

SMEs drive UK innovation and are key to the UK's global competitiveness. They are the UK's most innovative businesses and are creating tomorrow's technologies using standards. In order to innovate on top of standards, SMEs must license SEPs.

Many ACT members create smart devices that are connected to other devices and the cloud. This is often referred to as the internet of things (IoT). But smart devices that cannot communicate with others are not useful. To achieve standards-based interoperability, SMEs depend on their ability to license SEPs on FRAND terms.

As emerging technologies like artificial intelligence (AI) evolve, industry and government will look to standards for both technology and governance frameworks. Ensuring that AI-related SEPs are licensed on FRAND terms is critical to preventing market foreclosure, fostering competition, and enabling SMEs to participate fully in the AI value chain.

How Does Abusive SEP Licensing Harm Innovation?

The SEP licensing regime in the UK places far too much power in the hands of large SEP holders, some of whom have demonstrably abused that dominant position for years. These foreign big tech companies frequently use the threat of costly court actions and injunctions to force UK SMEs to accept excessive royalty demands, or to leave the market. In *InterDigital v. Lenovo*, a UK court documented these anticompetitive abuses.

This abuse of SEP holders' dominant market power disproportionately impacts UK tech SMEs like ACT members. SMEs lack resources to negotiate at length or deal with costly legal implications that arise from disputes with big SEP holders. Even worse, many SMEs are often subject to overbroad non-disclosure agreements that prevent them from assessing comparable licenses or surfacing the abuses they are experiencing.

The UK's SEP licensing regime is stymying potential innovation and economic growth, and is in urgent need of reform.

What Startups, Scaleups, and SMEs Need from Policymakers

SEP licensing in the UK can and should be improved with regulatory reform that creates an environment where SMEs can flourish, innovate, and grow. ACT is encouraged to see the Intellectual Property Office (IPO) consulting on a range of possible interventions designed to help SMEs, and we made a full and detailed submission. We await the final outcome of this consultation with keen interest and continue to support the IPO's vital efforts. Our view is that this reform must be built upon three central pillars:

1. **Keeping it FRAND:** Ensuring that a SEP holder upholds their voluntary commitment to licensing their SEPs on FRAND terms to all. This commitment means that the SEP holder must negotiate a license in good faith.

2. **Transparency:** In line with the voluntary FRAND commitment, SMEs should have access to basic pricing and essentiality information, enabling them to assess whether a deal is fairly priced, reflects market rates, and covers only truly essential SEPs.
3. **Protection from Injunctions:** For SMEs, an injunction is an existential threat, giving SEP holders dominant market power in standards and forcing potential licensees into unfair terms. Injunctions should only be awarded as a last resort.

So far, the Government has created a SEPs Resource Hub for SMEs. This tool is a recognition of the need to make the SEP regulatory ecosystem work better for SMEs by giving them more and better information. While this is a positive step, fixing a problem of this magnitude requires more meaningful interventions from the IPO and policymakers.

ACT urges policymakers to pay attention to this important issue and to urge the IPO to enact meaningful changes that will benefit the UK SME community and drive UK economic growth.



Keeping Consumer Confidence, Security, and Trust at the Heart of Digital Policy

In its implementation of the 2024 Digital Markets, Competition and Consumers Act (DMCCA), the Competition and Markets Authority (CMA) initially focused on the regulation of mobile ecosystems, specifically Apple's App Store and the Google Play store. Both are examples of curated online marketplaces (COMs) and have been designated as having Strategic Market Status. In July 2025, the CMA published roadmaps of proposed interventions and, just recently, secured commitments from Apple and Google to change the way their app stores and interoperability systems operate.

ACT and our members urge policymakers, and the CMA in particular, to prioritise the needs of the SMEs that drive the UK tech economy when considering any changes to regulation and to emphasise security, data privacy, and consumer confidence.



Why Curated Online Marketplaces Matter for Startups, Scaleups, and SMEs

Startups and SMEs leverage COMs to lower their overhead, gain access to global customers, and access a trusted marketplace. COMs create an environment where consumers feel more comfortable exploring new services and apps, especially from businesses they have never heard of, such as startups and SMEs. Without the brand recognition and established reputation of bigger competitors with large marketing budgets, SMEs rely on the trust and loyalty COMs build with consumers. Both consumers and SMEs benefit from having a

bundle of services provided by COMs, including subscription management, data security, customer data collection, and marketing.

Sideloaded and Third-Party App Stores

ACT welcomed the CMA's decision to refrain from imposing mandatory sideloading remedies that would reduce consumer trust in app distribution. Mandates that require sideloading or materially weaken platform security controls erode consumer trust and disadvantage small tech companies. It is universally recognised that sideloading can reduce security and open significant new attack vectors for bad actors.



Trust and security are of paramount importance to SME developers. Alternative app stores may not implement review processes comparable to those of the main software distribution platforms, and sideloaded apps provide no protections at all. Therefore, the risk of downloading a pirated and potentially malicious app increases significantly.

When considering third-party app stores, SME developers with small teams and limited resources weigh the cost to adapt their apps and business processes against the potential customer expansion. If they decide against listing their app on a certain store, this creates an opportunity for copycat apps to be present on a multitude of third-party app stores. Customers who are looking for the original app after hearing of it through word-of-mouth or the original developer's marketing efforts receive a degraded experience, damaging the small business' reputation and trust.

Interoperability

Interoperability ensures that you can connect your Sony headphones to your Apple iPhone. The CMA is currently looking into issues of interoperability. While there is occasionally a role for the government to play, standards development led by the private sector is the most efficient way to promote interoperability between products and services provided by different companies in a competitive environment.

As SME tech developers, our members are broadly supportive of the premise of interoperability. However, ACT and our members are concerned that unrestricted interoperability can expose sensitive data, such as private messages, location, or access to cameras, and can be taken advantage of by unscrupulous third parties and malware.

We urge the CMA to approach this issue sensibly and ensure that security is front and centre of their thinking at all times. We also encourage them to listen to the voices of startups and SMEs who rely on trust in interoperability for their businesses to succeed.

What Startups, Scaleups, and SMEs Need from Policymakers

SMEs are the backbone of the UK's tech sector, and regulation should be aimed at ensuring they can grow, innovate, and flourish.

We urge policymakers to give full consideration to the impact on startups and SMEs of any market interventions on app stores and digital platforms, rather than designing policies that further benefit a handful of already large businesses. Any changes should be designed to ensure strong data and privacy protections and robust cybersecurity measures are maintained. Without this, consumers will lose trust in the app ecosystem, causing devastating harm to SMEs.



Ensuring SMEs and Innovation are Front and Centre of Artificial Intelligence (AI) Policy

Artificial intelligence (AI) has become a key element of innovation and competitiveness in the app economy. It enables developers to deliver smarter, more efficient, and personalised solutions to users, driving growth and fostering technological advancement. Adoption of AI tools makes starting and growing a business more accessible than ever before. As the regulatory landscape evolves, it is crucial to strike a balance between fostering innovation and protecting consumers and businesses from demonstrated harms. Policies must be crafted in a way that supports the diverse needs of the app economy, particularly the SMEs that rely on AI to compete and thrive in a dynamic market.

Why AI Matters to Startups, Scaleups, and SMEs

While the concept of AI is not new, the implementation models of AI are changing almost daily. Many small developers have used AI and machine learning for years to look for bugs and to manipulate data. SMEs are at the forefront of this new AI revolution, creating their own models to deliver exciting new products and services across multiple industries and deploying AI in innovative ways.

However, SMEs lack the extensive resources of larger firms, making access to affordable, effective AI solutions critical for their success. The UK's AI Opportunities Action Plan is a welcome contrast from the EU's more restrictive AI regulations. It represents a major shift in how the UK approaches artificial intelligence and, if implemented effectively, could create substantial opportunities for the UK's small businesses and independent developers.

Lessons from the EU AI Act

While the EU AI Act is intended to promote the ethical use of AI while enhancing competition, this regulation overreaches and limits EU innovation through its imposition of overly complex, technically challenging, costly, and unworkable requirements. In the UK, it is crucial to preserve the flexibility to compete and innovate across AI markets and use cases while avoiding unnecessary burdens.

As the UK Government develops its approach to AI regulation, it is essential to prioritise the needs of SMEs in order to maintain a competitive and innovation-friendly environment. The development and implementation of the EU's AI Act should be carefully considered to ensure that its negative aspects are not replicated, and specifically to avoid suppressing SME growth and innovation.

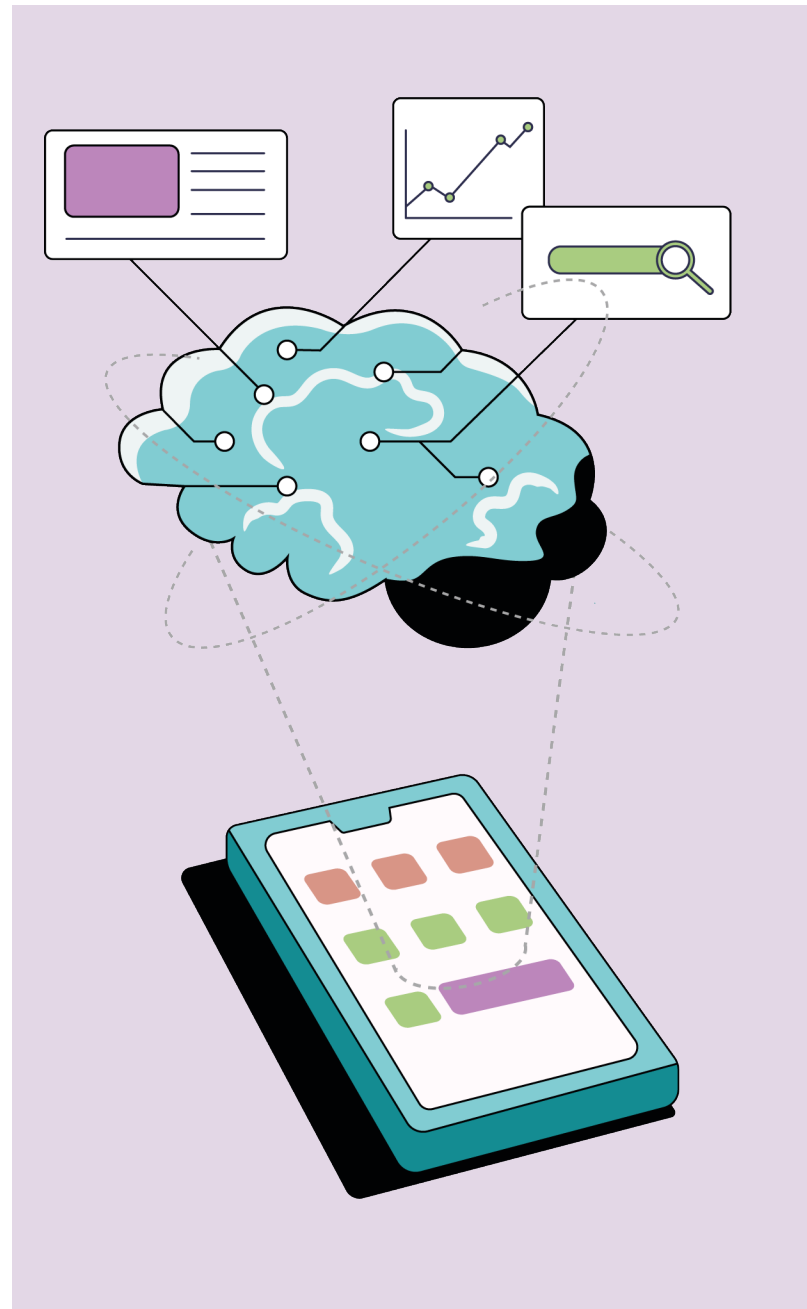
AI Growth Zones

ACT welcomes the UK Government's commitment to AI Growth Zones and the exciting development of the first UK Tech Town in Barnsley. However, we note that this project is only focused on working with large companies rather than local AI innovators across the UK. We believe that this is a missed opportunity. The UK is home to exciting AI-focused SMEs, many of whom are ACT members. As part of the Government's commitment to boosting science and tech SMEs, we urge them to ensure that developments around AI Growth Zones harness this domestic talent.

What Startups, Scaleups, and SMEs Need from Policymakers

ACT advocates for AI governance that is risk-based and empowers SMEs to innovate with the latest AI technologies. Key principles include:

- ✦ Scaling governance requirements to address demonstrated harms presented by each use case.
- ✦ Policy frameworks that encourage the design of AI systems informed by real-world workflows, human-centred design and usability principles, and end-user needs.
- ✦ Shared responsibility across the value chain for transparency, safety, and effectiveness based on knowledge and the ability to address demonstrated harms, so the burden doesn't fall on SMEs.
- ✦ Examination of data provenance and bias issues in the development and uses of AI solutions to ensure that datasets used to train AI do not harm users or consumers of products or services involving AI, including through unlawful discrimination.
- ✦ Policy frameworks that support and facilitate research and development of AI by prioritising and providing sufficient funding while also maximising innovators' and researchers' ability to collect and process data from a wide range of sources.



Privacy policies that are scalable and ensure that an individual's data is properly protected, while also allowing the flow of information and responsible evolution of AI. A balanced framework should avoid undue barriers to data processing and collection while imposing reasonable data minimisation, consent, and consumer rights frameworks.

An effective regulatory framework will provide SMEs the freedom to innovate while balancing oversight and mandates. Such a framework would support global AI leaders right here in the UK.

Protecting Online Security and Privacy for Individuals and SMEs

ACT members work hard to build and keep consumer trust. Robust security provisions, data protection, and privacy are in the interest of consumers and small UK tech businesses alike. Our members rely on technologies like end-to-end encryption and the services of trusted platform providers to deliver security protections that match and often surpass those offered by much larger companies.

When regulatory or legislative proposals undermine security and trust, startups and consumers ultimately pay the price.

Several new proposed laws and regulations aimed at increasing online safety risk causing the opposite. By removing security tools that SMEs rely on, these proposals make SMEs more vulnerable to cybercrime and force them to become holders of sensitive personal data.



Why Privacy and Cybersecurity Matter to Startups, Scaleups, and SMEs

Our members understand that transparency and customer control over data collection and use are essential for building trust and fostering long-term relationships. Many of our members have made the business decision, along with substantial investments, to meet both consumer expectations and competitive market pressures to better protect user data. This includes building cutting-edge security and privacy features from the earliest stages of product development (privacy-by-design) and using advanced tools, such as differential privacy techniques.

Both consumers and businesses need a pragmatic and scalable approach to privacy regulation. SMEs require the ability to appropriately tailor their approaches to the needs of their customers and partners in order to establish and maintain consumer confidence.

The Importance of Encryption

We view the protection of users' personal information as a core responsibility and an opportunity for our members to turn earning consumer trust into a competitive advantage in the marketplace. That holds especially true when the personal information at issue involves the contents of users' personal communications or other sensitive information.

End-to-end encryption is key to this, and we are deeply concerned about the UK Government's efforts to require backdoors into some systems. Any backdoor into an encrypted service is a vulnerability that can and will be exploited by malicious actors. If regulators mandate backdoors, you might as well leave the front doors wide open.

Undermining encryption, mandating backdoors, or requiring a second set of keys cannot coexist with the principle of protecting users' personal information. We urge the Government not to take any steps that could potentially undermine the use of encryption in the UK.

The Importance of Virtual Private Networks (VPNs)

ACT is also concerned about the proposed VPN regulation in the UK. VPNs are a vital online security tool. Efforts to ban VPNs, even if targeted at specific demographics such as young people, leave those users open to an array of online security risks.

While ACT recognises the importance of taking steps to prevent young people from accessing inappropriate online content, undermining their online security while doing so would be both counterproductive and a backward step. We advocate for education for young people and parents to help them make well-informed decisions.

App Store Level Age Assurance

Age assurance is an important and timely issue for specific categories of apps, like social media, that have been shown to drive significant negative outcomes for children and to utilise addiction inducing practices. However, vague or indiscriminate mandates to conduct age verification, the highest and most privacy intrusive level of age assurance, place a huge burden on startups and SMEs and put children's most sensitive data at risk.

Proposals to require all apps to collect and store user data or build systems to comply with age category signals would place significant cost and resource pressures on small innovative companies. Having hundreds of thousands of apps all collecting and storing user data for no reason other than age verification is also an invitation to hackers, opening

a huge attack vector that threatens both consumers and businesses.

What Startups, Scaleups, and SMEs Need from Policymakers

ACT believes that consumers are best protected by addressing harms at the source, rather than trying to push the responsibility onto the startup and SME community. We urge the Government to look again at these proposals. Strong security and privacy aren't optional extras. They are the foundation of consumer trust and the lifeblood of small UK tech firms.

Well-intentioned rules that weaken encryption or shift sensitive data burdens onto SMEs don't make people safer; they expose smaller businesses to greater risk, higher costs, and lost trust.





GLOBAL APP ECONOMY CONFERENCE

For more information on ACT, please visit actonline.org