Thrive Or Die – Medium Size Fintech

Medium Fintech Edition — Why Scale-Up Stage Is The Most Dangerous Point In The Gap

A Charterhouse Consultants white paper by Bridget Convey, August 2025

Executive Summary

Medium-sized fintechs sit in the most dangerous part of the gap this paper describes. Product-market fit is proven, growth is real, and investor pressure is intense, but governance has not yet caught up with the scale the company has already reached. This is exactly Klarna's stage when its AI customer service reversal became public, and it is exactly the stage Cleo AI reached when a $17 million US regulatory settlement made years of accumulated governance debt visible all at once.

The Premise: The Gap Is The Danger, Not The AI

In October 2023, a group including Turing Award winners Yoshua Bengio and Geoffrey Hinton, alongside Stuart Russell, Daniel Kahneman and more than twenty other senior AI researchers, published a consensus paper in the journal Science on the risks of advanced AI. Their argument was precise. AI capability and autonomy are increasing rapidly. Companies are shifting toward systems that can act and pursue goals with reduced human oversight. Governance is not keeping pace with that shift. The danger they describe does not come from AI itself. It comes from the widening gap between what a system can now do on its own and how closely anyone is still watching it.

That paper is about safety and governance at a societal scale. It does not comment on corporate strategy, and I want to be precise about that rather than overstate its relevance. What it gives this paper is not a business endorsement, it gives us the mechanism. Capability grows. Autonomy grows. Oversight does not grow at the same rate. At medium scale, a governance failure stops being invisible. The company is now large enough to attract regulatory attention, press coverage and customer scrutiny, but often still small enough that the governance function has not caught up with the product and growth functions that got it there.

Why Fintech Inverts The Pattern, Rather Than Repeating It

The earlier papers in this series use Kodak and Blockbuster to show what happens when governance and culture are already entrenched and capability is left to lag behind them for years. Fintech is not that story, and I do not want to force it into that shape just for consistency. Kodak built the camera and then refused to let it threaten film. Fintechs, almost without exception, are AI-native from day one. The technology is not the thing being suppressed. It is the thing the company was built around. The gap does not open because capability was held back. It opens because governance has to be built from scratch, at speed, while the company is simultaneously trying to grow, raise capital and survive.

Same mechanism, opposite direction of travel. That distinction matters for this paper because it changes what closing the gap actually looks like. An incumbent closes the gap by finally letting new capability threaten an old, protected business model. A fintech closes the gap by building institutional discipline around a capability it already has, before growth, investors or a regulator forces the issue. This is the stage where the deferred governance debt described in the small fintech edition of this paper comes due, usually publicly, and usually at the worst possible moment for a company mid-fundraise or mid-scale-up.

Klarna remains the clearest large-scale proof that this failure mode is real inside fintech specifically. Klarna gave its AI assistant real autonomy over customer decisions in 2024, cut headcount to match, and by 2025 was publicly reversing course after customer satisfaction on complex issues degraded. That was not a failure of capability. Klarna's AI worked. It was a failure to govern how far that capability was allowed to run before a human needed to be back in the loop, which is the exact shape of gap this paper is built around, just playing out at company speed rather than societal speed.

The Evidence: What Happens When Governance Catches Up In Public

Two examples, one already covered briefly above and one new, show what it looks like when a medium-scale fintech's governance gap becomes visible externally rather than staying an internal risk.

Cleo AI: From $250 Million ARR To A $17 Million Regulatory Settlement

Cleo has grown into a genuine medium-scale success, more than 300 employees, roughly $250 million in annual recurring revenue, net profitable, and engagement reported at twenty times that of traditional banking apps. It is also, in the same period, the subject of a $17 million settlement with the US Federal Trade Commission over allegations that it misled consumers about cash advance amounts, fund delivery timing, and the subscription cancellation process. Both facts are true of the same company at the same time. Growth and governance debt are not alternatives, they can compound together, and the regulatory settlement is the gap this paper describes becoming visible from the outside, years after the underlying decisions were made while the company was still small.

Klarna: The Same Pattern, One Size Band Up

Klarna's AI customer service reversal, covered in more depth in the companion paper for large fintech and in the original edition of this series, shows the identical mechanism one size band larger than Cleo. Capability was deployed with real autonomy over customer outcomes. Governance of where that autonomy should stop did not scale at the same pace as the deployment. The two companies differ in size and in the specific regulatory or reputational form the correction took, but the underlying failure, capability outrunning oversight at exactly the point where growth pressure is highest, is the same.

Medium Fintech In Three Horizons: The Gap Closes Or It Does Not?

If the gap between capability and governance is the real variable, then each horizon below has two outcomes, not one. These are deliberately stated as firm positions, not hedged possibilities, because a board or founding team conversation needs something to agree or disagree with.

Two Years: 2026 To 2028

What happens everywhere: medium fintechs face their first serious external test of AI governance, from a regulator, the press, or a large customer complaint pattern.

- Thrive path. Firms build a dedicated AI governance function ahead of that test, separate from general product and compliance teams, following the lesson of the Cleo settlement rather than waiting to learn it the same way.
- Die path. Firms treat the first external test as a one-off PR problem rather than evidence of a structural gap, fix the specific complaint, and leave the underlying governance debt in place for the next one.

Five Years: 2028 To 2031

What happens everywhere: medium fintechs either consolidate their gains into large-fintech scale, or stall under the weight of accumulated governance debt and increasing regulatory scrutiny.

- Thrive path. Firms that closed the gap use demonstrable governance maturity as a genuine fundraising and partnership advantage, since institutional investors and banking partners increasingly diligence this directly, not just product metrics.
- Die path. Firms that did not close the gap find fundraising, banking partnerships and acquisition talks slow down or collapse specifically over governance and regulatory risk, not product quality.

Ten Years: 2031 To 2036

What happens everywhere: the medium fintechs that survive to this horizon have, by definition, either graduated to large-fintech scale or been acquired by one.

- Thrive path. Firms that built governance alongside growth graduate into the large fintech category with a genuine proprietary core, following the trajectory Revolut has already shown is possible.
- Die path. Firms that never closed the gap are acquired primarily for their customer base, with their existing technology and governance structure largely replaced rather than built upon, the fintech equivalent of becoming a distribution channel.

What I Am Recommending To Medium Fintech Boards

- Audit every AI decision currently made about customers with real financial consequences, cash advances, credit limits, fee timing, cancellation friction, and check whether the disclosure and consent behind each one would survive the kind of scrutiny that produced Cleo's FTC settlement.
- Build a dedicated AI governance function now, separate from product and general compliance, rather than waiting for a regulator, a journalist or a large customer complaint pattern to force the issue.
- Treat governance maturity as a fundraising and partnership asset to be demonstrated proactively, not just a risk to be managed defensively, since later-stage investors and banking partners are increasingly diligencing this directly.

Conclusion

Medium scale is where the gap this paper describes stops being a private, internal risk and becomes a public, external one. Cleo's regulatory settlement and Klarna's public reversal are not unrelated incidents at two different companies. They are the same mechanism, capability outrunning governance, arriving at the point where a fintech is large enough to be tested and still catching up on the oversight that scale requires. The firms that close that gap before it is tested externally are the ones that make it to large-fintech scale on their own terms.

Sources: Sacra, Sifted, TechIntelPro, Federal Trade Commission settlement reporting, Tech.co, Customer Experience Dive, CX Dive. All figures current as of mid-2026, verified at time of writing. This is a first draft prepared for internal discussion.