



The rise of UK retail

In the UK, securities lending is no longer just for institutional investors. As retail investing becomes increasingly popular, the lending side has stepped up the pace to match. Hansa Tote explores

The retail lending market is expanding globally, driven by digital innovation, increased consumer interest, and education. The UK is no exception in this respect.

According to Saul Dawes, head of sales, EMEA, at Sharegain, the UK is “in the early days of a seismic shift”. He explains that just three years ago, retail investors had no real access to securities lending — “the barriers to entry were high, and the infrastructure was not there”.

The UK securities lending market has grown “substantially”, highlights Gerry Perez, CEO of Interactive Brokers UK, with retail participation

and subsequent inventory outside the general collateral space becoming a meaningful component of the overall market.

In agreement, Dan Moczulski, UK managing director at eToro, says retail participation is still in the early stages compared to the institutional market. However, he believes it is “clearly” growing, as access has improved significantly over the last three years.

Described as “modest in scale and sophistication” in comparison with institutional programmes, Jordan Howie, buy side Trading Services sales at J.P. Morgan, attributes the size of the UK retail lending market



to its opt-in nature and that it is typically focused on equities with demonstrated borrow interest, while infrastructure for monitoring utilisation and recall risk is still evolving on broker platforms.

He describes the market as “under-penetrated”, before explaining how doors to entry are being created. Howie notes that an increasing number of digital brokers in 2025 rolled out fully paid stock lending programmes in the UK, enabling their underlying clients to earn passive income by making their holdings available for lending, something that had previously been primarily confined to institutional names.

In demand

According to data from Sharegain, currently, the most in-demand stocks across the UK market are ITM Power, Aston Martin Lagonda

Global Holdings, and ASOS, with the top earning UK ETFs being: iShares MSCI China A UCITS USD (Acc), iShares FTSE 250 UCITS GBP (Dist), and iShares UK Property UCITS GBP (Dist).

Exploring ITM Power’s growth, Dawes says shares gained nearly 95 per cent over the past year, and — for investors who held the stock and activated securities lending — the position generated an additional 33 per cent in lending income. He states: “It’s a strong example of how one stock can deliver two types of return, while maintaining intended exposure.”

Moczulski explains borrowing demand is primarily driven by short selling and hedging activity — something eToro saw during the ‘meme-stock’ period.

The trend of meme stocks began to gain traction in 2021, and refers

to publicly traded shares whose performance is strongly influenced by social media discussion and activity. This means they are extremely volatile based on the hype surrounding them and do not usually conform to wider market trends.

Moczulski highlights: “Typically, demand concentrates in hard-to-borrow stocks with limited supply, heavily traded large-caps during periods of heightened market activity, and names around corporate actions or index changes. Demand is highly dynamic, so it’s better understood as a pattern rather than a fixed list of securities.”

Commenting on factors that influence demand for retail-lendable assets in the UK market, Howie agrees that rising short selling and hedging activity underpin core demand for borrowed securities.

Discussing trends in demand, he states: “Retail platforms’ lendable inventory increasingly includes small and mid-cap names and ETF constituents favoured by retail investors. These segments can become attractive to borrowers when institutional inventories are thin, creating name-specific special demand conditions; increased retail ownership of ETF units ultimately expands access to underlying constituents that are in consistent borrow demand.

“Institutional borrowers are also seeking to diversify supply sources, complementing traditional inventory with retail-originated stock to bridge gaps in less liquid names. Retail programmes that aggregate fragmented holdings and distribute them through large institutional lending platforms are therefore best positioned to meet borrower demand efficiently.”

How it differs

How does UK retail securities lending compare to the US and Europe?

It appears that the main difference is the age, with the UK’s retail space being significantly younger than other more established markets. Howie expands upon this, stating: “Retail securities lending in the UK today is distinguished by its very recent

emergence and platform-specific rollout, compared with more mature or broader implementations in parts of Europe, and particularly the US, where securities lending is an established part of the product suite, often tied to broader programmes that also include margin and yield enhancement.”

Discussing continental Europe, Howie explains retail stock lending is gaining traction, however these rollouts tend to sit within pan-European broker models rather than being focused on a single national market. He notes that the rise of ETF lending is particularly relevant, highlighting: “UCITS ETFs increasingly engage in securities lending as a means of offsetting costs, and retail demand for ETFs across Europe has materially expanded the lendable universe. The UK’s platforms continue to advertise lending as a value-add feature, rather than as an established core part of the retail proposition.”

In contrast with US markets, where equities and stock-based income strategies are materially more embedded in investor culture, he says retail adoption of lending in the UK is tempered by a historically higher preference for cash and lower-risk holdings versus equity exposure.

Furthering the discussion, Moczulski notes that the UK is still playing catch-up compared to markets such as the US and Canada, both of which have had retail stock lending embedded into a larger broker platform for much longer while supporting it with broader product transactions.

He also highlights that recent sentiment surrounding short selling has become more balanced, and occasionally positive. There is no guarantee that the attitude towards short selling will remain positive Moczulski heeds, stating people’s opinions surrounding it are prone to changing, something stock lending is often tied to.

Commenting on differences within markets, Dawes notes that in the US and Europe, securities lending is the norm, with almost every major platform offering it to retail clients. As it is no longer a ‘nice to have’, it has become a core revenue engine for platforms while adding value for users. He states: “In the US, firms like Robinhood and Interactive

Brokers have made securities lending central to their business models. Securities lending delivers annuity-like revenues, over 85 per cent operating margins, and strong product differentiation — driving 20–30 times the earnings multiples and supporting higher share prices.”

In the UK, retail securities lending is not yet universally offered, he explains, however those who have launched it are seeing high rates of adoption and strong engagement creating the signal that investors are ready and the rest of the market will follow.

Barriers to participation

Despite the growing popularity of retail securities lending in the UK, Howie believes structural frictions remain. He explores: “One barrier is the UK stamp tax framework, fostering some hesitancy among large wealth managers and brokers. Securities lending transactions can trigger Stamp Duty Reserve Tax if stock lending relief conditions are not precisely met, particularly around timing of returns and manufactured dividends.

“For platforms managing sizeable retail positions, this introduces operational and tax complexity that must be carefully controlled, and in some cases has slowed rollout by more traditional private banks and wealth managers.”

Moczulski suggests that many of the barriers come down to education — or a lack thereof. “There’s still a mindset among some investors that stock lending is inherently bad, largely because it’s associated with short selling. In reality, stocks are being borrowed either way; the real question is whether investors are receiving a share of the benefit.” He reiterates that securities lending carries risk, and that brokers and regulators must ensure clients understand and consent to that risk.

He regards the meme stock period as worsening negative sentiment around retail lending, particularly in online communities such as Reddit and the subreddit ‘WallStreetBets’, where lending was seen as enabling short sellers and therefore putting the HODLers (hold-on-for-dear-life) on the back foot.

What next?

Commenting on the future of the UK retail market, Dawes notes: “Retail investors have changed capital markets, and they are about to change securities lending.”

For Howie, as participation grows, revenue-sharing models and investor education should become more standardised. He suggests retail investors may increasingly view lending as part of a broader yield-enhancement toolkit, especially as transparency improves. Institutionally, counterparties will begin to explicitly price retail-originated supply rather than treating it as incidental.

“Growth will depend on governance quality, operational resilience, and the ability to distribute inventory efficiently,” he continues. “In our view, this reinforces the role of established securities finance platforms as the natural conduit through which retail and broker-originated supply can be safely, compliantly, and effectively deployed into the global securities lending market.”

Moczulski states he expects to see broader retail access but in a more “standardised” and “transparent” form, meaning a clearer opt-in design, better client controls, and more consistent disclosures. “Transparency around what’s on loan, potential earnings, and key risks should continue to improve, while regulation is likely to focus on consent, conflicts, and fair client outcomes rather than restricting activity outright,” he adds.

He also states that increased automation and better integration across brokers, custodians, and lending platforms should also improve efficiency and scalability.

Dawes explains in 2025, the industry passed the US\$4 trillion mark in assets on loan and generated US\$15 billion in revenue, figures he believes can be doubled within the next five years. He states that, as the industry grows and more investors participate, the whole ecosystem benefits from deeper liquidity, better price discovery, and enhanced efficiency. He says: “The industry is becoming bigger, better, and fairer — and retail is the catalyst.” ■