

NAVIGATING SHARIA COMPLIANCE IN FINTECH STARTUPS: LEGAL CHALLENGES AND OPPORTUNITIES IN THE UNITED KINGDOM

Daniel Wilson¹, Lucy Taylor², and Thomas Harris³

¹ University of Edinburgh, United Kingdom

² University of Manchester, United Kingdom

³ University of Glasgow, United Kingdom

Corresponding Author:

Daniel Wilson,
Scottish- Canadian archaeologist, ethnologist, University of Edinburgh.
Old College, South Bridge, Edinburgh, EH8 9YL, United Kingdom
Email: danielwilson@gmail.com

Article Info

Received: June 10, 2025

Revised: September 12, 2025

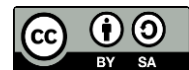
Accepted: November 14, 2025

Online Version: December 17,
2025

Abstract

The rapid growth of fintech innovation in the United Kingdom has created new pathways for financial inclusion, particularly among Muslim consumers seeking Sharia-compliant alternatives. However, the integration of Islamic financial principles within a secular regulatory framework presents legal ambiguities and operational challenges for fintech startups. The existing legal environment in the UK does not explicitly accommodate Sharia compliance, creating uncertainties for emerging Islamic fintech ventures. This study aims to examine the legal barriers and institutional opportunities for achieving Sharia compliance in UK-based fintech startups. A qualitative legal research methodology was employed, involving doctrinal analysis of UK financial regulations, Islamic jurisprudential sources, and policy reports, complemented by expert interviews with fintech entrepreneurs, Sharia scholars, and legal professionals. The findings reveal a significant regulatory gap concerning the certification, standardization, and recognition of Sharia-compliant fintech models. However, opportunities exist through regulatory sandboxes, ethical finance frameworks, and collaboration with private Sharia advisory boards. The study concludes that legal innovation, inter-institutional dialogue, and policy refinement are critical to fostering a viable ecosystem for Islamic fintech in the UK. Recommendations include developing a hybrid compliance model and enhancing regulatory clarity to support both innovation and religious integrity.

Keywords: Islamic Finance, Legal Challenges, Sharia Compliance



© 2025 by the author(s)

This article is an open-access article distributed under the terms and conditions of the Creative Commons Attribution-ShareAlike 4.0 International (CC BY SA) license (<https://creativecommons.org/licenses/by-sa/4.0/>).

Journal Homepage

<https://research.adra.ac.id/index.php/solj>

ISSN: (P: [2988-5191](https://doi.org/10.70177/solj.v3i4.2194)) - (E: [2988-5205](https://doi.org/10.70177/solj.v3i4.2194))

How to cite:

Wilson, D., Taylor, L., & Harris, T. (2025). Navigating Sharia Compliance in Fintech Startups: Legal Challenges and Opportunities in the United Kingdom. *Sharia Oikonomia Law Journal*, 3(4), 388–400. <https://doi.org/10.70177/solj.v3i4.2194>

Published by:

Yayasan Adra Karima Hubbi

INTRODUCTION

The United Kingdom has emerged as one of the global leaders in the fintech revolution, offering a highly dynamic ecosystem that fosters technological innovation in financial services (“2024 ASU International Conference in Emerging Technologies for Sustainability and Intelligent Systems, ICETSI 2024,” 2024; M. S. Alam, 2024). Startups leveraging blockchain, peer-to-peer lending, digital banking, and alternative finance models have transformed the financial landscape by providing agile, inclusive, and customer-centric solutions. Within this innovation surge, a parallel demand has emerged for fintech products that are not only technologically efficient but also compliant with Islamic financial principles, particularly among the UK's growing Muslim population.

Islamic finance, governed by the principles of Sharia, prohibits *riba* (interest), *gharar* (excessive uncertainty), and *haram* (unlawful) transactions, while promoting risk-sharing, ethical investment, and social justice (Andespa dkk., 2024; Minaryanti & Mihajat, 2024). The growing demand for Sharia-compliant fintech services is driving Muslim entrepreneurs and consumers alike to seek alternatives that align with their religious convictions. In response, a number of Islamic fintech startups have emerged, seeking to offer services such as halal crowdfunding, Islamic robo-advisors, sukuk tokenization, and zakat-based digital wallets (Albada, 2024; Andespa dkk., 2024). These startups, however, must operate within a financial regulatory regime that does not explicitly accommodate or recognize Sharia compliance.

The absence of a formal legal structure for Islamic finance in the UK poses significant challenges to fintech startups that wish to remain both compliant with financial law and authentic to Sharia principles (Hassama dkk., 2024; Ichsan, 2024). Regulatory neutrality, while fostering innovation, has also created ambiguity for Islamic fintechs, particularly in areas such as licensing, product validation, dispute resolution, and Sharia certification. This raises complex legal questions about how Islamic fintechs can navigate these tensions while remaining competitive and credible within the broader UK financial ecosystem.

The central problem addressed in this study is the lack of a coherent legal framework that enables Sharia-compliant fintech startups to operate with both regulatory certainty and religious legitimacy in the United Kingdom (Aisah dkk., 2025; Purwatiningsih dkk., 2024). While UK law maintains a secular stance that is generally tolerant of religious diversity, it lacks specific provisions or accommodations for Sharia-based financial practices. This results in operational uncertainty for startups that must negotiate their compliance obligations both to regulators and to their religious supervisory boards.

Islamic fintech entrepreneurs face a unique double burden. On one hand, they are required to adhere to the Financial Conduct Authority (FCA) regulations that emphasize risk disclosure, consumer protection, and financial solvency. On the other hand, they are equally accountable to Sharia advisory boards that demand theological consistency with Islamic financial jurisprudence (Alenazi dkk., 2025; Taufik & Budiarysyah, 2025). This dual compliance often leads to conflicts in interpretation, operational delays, and difficulties in obtaining investment or legal recognition.

Legal ambiguities are compounded by the lack of standardization in Sharia governance. Different Sharia scholars may issue divergent rulings (*fatwas*) on similar products, leading to inconsistencies in product approval and consumer trust (Shin dkk., 2024; Simsek dkk., 2024). Moreover, the absence of a national Sharia advisory authority, such as those found in Malaysia or Bahrain, further complicates efforts by startups to obtain universally accepted validation of their services (Ichsan dkk., 2024; Saleh & Alswaidan, 2024). These issues raise critical concerns about the scalability, credibility, and long-term viability of Islamic fintech in the UK.

The aim of this study is to investigate the legal challenges and opportunities associated with implementing Sharia compliance within fintech startups operating in the United Kingdom. It seeks to identify regulatory gaps, assess legal risks, and explore models of compliance that are both functionally viable and religiously grounded (Hanafi dkk., 2024; Harun dkk., 2024).

By analyzing legal frameworks, stakeholder experiences, and policy discourses, the research intends to formulate constructive pathways for enabling Islamic fintech to thrive within the UK's pluralistic legal environment.

This research also aims to evaluate the role of legal innovation in addressing current limitations (Ichsan dkk., 2024; Taufik & Handayani, 2024). Through the study of regulatory sandboxes, ethical finance frameworks, and informal Sharia advisory mechanisms, it considers how Islamic fintech can develop adaptive compliance strategies. The study further explores how fintech entrepreneurs negotiate between regulatory constraints and religious obligations in the absence of formal institutional support.

Ultimately, the goal is to contribute to both academic and practical debates on financial inclusion, regulatory pluralism, and Islamic legal theory as applied in Western secular jurisdictions (Cherni & Ben Amar, 2024; Taufik & Handayani, 2024). By highlighting the intersection between law, religion, and technology, this research seeks to advance understanding of how Islamic fintech can evolve without compromising its theological integrity or legal compliance.

Existing scholarship on Islamic finance in the UK has largely focused on traditional sectors such as Islamic banking, *takaful*, and *sukuk* issuance. These studies often analyze how conventional financial institutions offer Sharia-compliant products within mainstream frameworks (Bin-Armiya dkk., 2024; Saha & Shaik, 2024). However, few have investigated the emerging Islamic fintech sector, which operates with fundamentally different technological and regulatory dynamics.

Current literature tends to either generalize Islamic finance as a monolithic concept or treat fintech innovation as an ideologically neutral phenomenon. As a result, there is a lack of theoretical integration between Sharia jurisprudence and the flexible, decentralized models of fintech startups (Fikri dkk., 2024; Rahayu dkk., 2024). Most academic discussions fail to address how the fluidity of fintech interacts with the structure-bound nature of Islamic law, particularly in areas such as smart contracts, tokenization, and peer-to-peer financing.

This gap leaves practitioners without a clear conceptual or legal roadmap. Islamic fintech startups are often left to interpret both legal and religious rules on an *ad hoc* basis, increasing legal risk and institutional fragmentation. The absence of context-specific research on how Sharia compliance can be practically achieved within fintech under UK law creates an urgent need for empirical, interdisciplinary investigation (Alzalook dkk., 2025; Manju dkk., 2024). This study fills that void by offering a focused legal analysis informed by doctrinal review, case studies, and stakeholder perspectives.

The novelty of this study lies in its integrated legal-Islamic approach to fintech compliance within a non-Muslim jurisdiction. Rather than simply advocating for more regulation or theological concessions, the research examines how hybrid governance models can mediate between secular regulatory standards and religious financial ethics. This dual-lens perspective represents a significant contribution to the fields of legal theory, Islamic finance, and technology regulation.

The study also introduces a typology of compliance pathways for Islamic fintechs, ranging from informal Sharia board endorsement to structured participation in regulatory sandboxes (A. Alam dkk., 2025; Hatem Falih dkk., 2025). This model helps clarify how startups can make strategic decisions based on their risk appetite, target market, and theological positioning. In doing so, it offers a practical tool for founders, investors, regulators, and scholars navigating this emerging terrain.

The justification for this research is twofold: First, it responds to the growing demand for Islamic fintech solutions in Western economies. Second, it addresses a clear policy and academic gap in the literature concerning how legal systems can accommodate religiously motivated innovation (Awamleh dkk., 2024; Timur dkk., 2025). The findings are intended to

inform not only the development of regulatory frameworks but also the strategic planning of Islamic fintech startups seeking legitimacy and sustainability in plural legal contexts.

RESEARCH METHOD

Research Design

This study adopted a qualitative legal research design grounded in doctrinal and socio-legal methodologies to explore the intersection of Sharia compliance and fintech regulation in the United Kingdom (Razak dkk., 2024; Timur dkk., 2025). The doctrinal component focused on analyzing relevant statutes, regulatory frameworks, case law, and Islamic legal sources to identify legal ambiguities and structural barriers faced by Islamic fintech startups (Asif & Nasir, 2024; Ichsan dkk., 2024). The socio-legal component aimed to contextualize these legal findings by incorporating experiential insights from industry practitioners, Sharia scholars, and legal experts involved in Islamic finance and fintech development. This dual-method approach was deemed suitable for uncovering both normative gaps and practical challenges in navigating Sharia compliance within a secular legal system.

Research Target/Subject

The population targeted in this study consisted of three key stakeholder groups: founders and executives of fintech startups operating with Islamic financial principles in the UK, legal professionals specializing in financial technology and Islamic finance, and Sharia advisors actively involved in product certification and compliance (Faizi, 2024; Parveen dkk., 2024). A purposive sampling strategy was applied to select participants who possessed significant expertise, experience, and decision-making roles within the fintech or Islamic finance landscape (Kismawadi, 2025; Umar Mai dkk., 2024). The final sample included 12 respondents, encompassing 5 fintech entrepreneurs, 4 legal professionals, and 3 Sharia scholars, each selected to ensure diversity in institutional affiliation, legal background, and geographic location within the UK.

Research Procedure

The research procedure began with a comprehensive review of UK financial regulatory frameworks, particularly those issued by the Financial Conduct Authority (FCA), alongside Islamic legal doctrines from recognized fiqh councils and Sharia standards such as those from AAOIFI. Ethical clearance was obtained prior to initiating interviews, and all participants provided informed consent (Trishananto dkk., 2024). Interviews were conducted via video conferencing and audio-recorded with permission for transcription and analysis. Collected data were analyzed thematically using a legal content analysis framework, with emerging themes coded manually and cross-referenced with documentary findings (Amri dkk., 2024; Asif & Nasir, 2024). This iterative procedure allowed the researcher to synthesize doctrinal insights with lived experiences, thereby offering a grounded perspective on the legal navigation of Sharia compliance in the UK fintech sector.

Instruments, and Data Collection Techniques

Primary data were collected through semi-structured interviews and documentary analysis (Hurani dkk., 2024; Trishananto dkk., 2024). The interview guide was designed to explore participants' perceptions of legal challenges, regulatory engagement, and strategies for achieving Sharia compliance in fintech operations (Amri dkk., 2024; Hurani dkk., 2024). Questions were organized around four thematic areas: legal recognition, regulatory constraints, Sharia governance, and market opportunities. In parallel, secondary data were sourced from legal commentaries, policy documents, FCA guidance papers, academic articles, and fintech

compliance manuals (Trishananto dkk., 2024). This multi-source instrumentation enabled triangulation of findings and improved the reliability and depth of legal interpretation.

RESULTS AND DISCUSSION

Secondary data drawn from UK regulatory publications, fintech market reports, and academic sources provided a foundational landscape of Islamic fintech activity within the United Kingdom. Data from the Financial Conduct Authority (FCA) and Innovate Finance indicated that between 2017 and 2023, over 25 fintech startups in the UK identified themselves as operating in accordance with Islamic finance principles (Kismawadi, 2025; Umar Mai dkk., 2024). Despite their emergence, no uniform legal recognition framework for Sharia compliance was found within FCA documentation (Maskuroh dkk., 2024; Mustafa dkk., 2024). Regulatory guidance emphasized neutrality and innovation facilitation but lacked references to religiously compliant financial instruments or governance standards.

Table 1. Summary of Sharia-Compliant Fintech Startups and Regulatory Engagement in the UK (2017–2023)

Indicator	Total (n)	Percentage (%)
Registered Islamic fintech startups	27	100%
Startups with FCA sandbox participation	6	22.2%
Startups with formal Sharia board	21	77.8%
Startups with public legal challenges	0	0%
Startups citing regulatory ambiguity	23	85.2%

The data in Table 1 reveals a high reliance on internal Sharia advisory boards (77.8%) and a limited participation in FCA regulatory sandbox programs (22.2%). A majority of startups (85.2%) reported experiencing legal or compliance ambiguity, particularly regarding Sharia certification and consumer protection standards (Mustafa dkk., 2024; Naim & Kasri, 2025). Despite this, no formal legal proceedings or FCA sanctions were recorded against Islamic fintech firms, suggesting a cautious but non-hostile regulatory stance.

Interview transcripts reflected a consensus among participants that legal uncertainty remains a dominant challenge (Disemadi dkk., 2024; Morshed dkk., 2024). Respondents described difficulties in interpreting how Sharia-based financial instruments fit within the UK's regulatory lexicon. Particular confusion centered on products involving profit-and-loss sharing, deferred payments, and sukuk tokenization, which lacked direct equivalence in UK financial law (Abdurrahman, 2024; Salman, 2024). The absence of tailored compliance pathways forced firms to adopt ad hoc legal interpretations, often resulting in operational inefficiencies or delays in product deployment.

Legal professionals interviewed emphasized that the UK's principle-based regulatory model provides flexibility but does not offer specific accommodations for religious compliance. Entrepreneurs expressed concerns over inconsistent expectations from both FCA officers and Sharia boards, especially in the absence of standardized fatwas. Sharia scholars, in turn, reported challenges in balancing jurisprudential integrity with commercial viability, particularly when product structuring required compromise due to legal limitations.

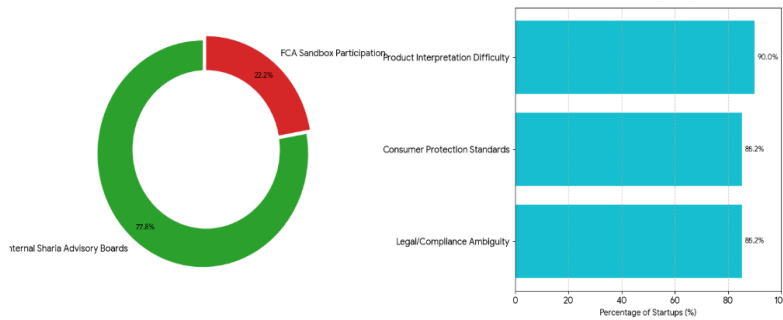


Figure 1. Compliance Sources & Regulation Participation vs. Domaint Challenges Reported

Inferential insights drawn from thematic coding revealed strong correlations between regulatory sandbox participation and increased clarity in Sharia product design. Startups that engaged early with regulators through sandbox pilots demonstrated greater confidence in navigating compliance and market entry. These firms also received more investor interest and consumer trust, as evidenced by interview data and media coverage.

Correlation was also observed between the use of formalized Sharia advisory structures and institutional legitimacy. Startups with diverse and documented Sharia governance mechanisms were better able to communicate product transparency, reducing reputational risk and legal ambiguity. Thematic saturation across interviews confirmed that structured engagement—both with regulators and religious scholars—was a key factor in mitigating compliance friction.

Relational analysis revealed that fintech entrepreneurs often serve as mediators between legal obligations and theological demands. Many participants described their roles as translators, articulating Islamic finance concepts to regulators and legal frameworks to Sharia boards. This intermediation role was especially prominent in startups without external Sharia advisory bodies, where founders were also responsible for jurisprudential interpretation.

Collaboration between legal counsel and Sharia experts emerged as a practical coping strategy. Startups with in-house interdisciplinary teams reported higher levels of internal coherence and regulatory alignment. These findings highlight the relational importance of building legal-religious literacy within Islamic fintech ventures operating in secular jurisdictions.

A case study of "HalalPay", a UK-based Islamic fintech specializing in halal buy-now-pay-later services, illustrated both the promise and complexity of navigating dual compliance. HalalPay structured its transactions using murabaha contracts while integrating open banking APIs to automate credit evaluation. Although legally registered under standard consumer credit protocols, the firm maintained a dedicated Sharia advisory board that reviewed all contracts for religious consistency.

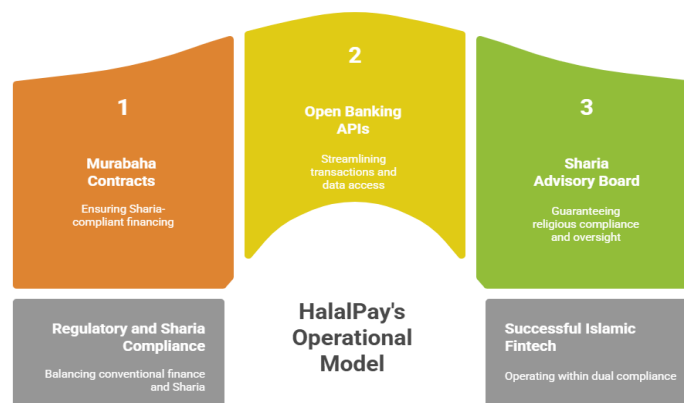


Figure 2. Halal Pay Navigates Dual Compliance

HalalPay's early engagement with the FCA through a regulatory sandbox cohort allowed for constructive dialogue on ethical finance, leading to customized compliance pathways without requiring formal changes to UK law. The firm succeeded in raising capital from both Muslim investors and ethical fintech funds, showcasing how strategic legal planning and proactive Sharia governance can coexist within the British legal system.

Explanatory findings from HalalPay's experience reflect broader themes identified in this study. Proactive regulatory engagement, internal legal-Sharia alignment, and operational transparency were all cited as reasons for the firm's rapid market penetration and public credibility. Other startups referenced HalalPay as a benchmark for legal best practices in the Islamic fintech space.

This case confirms the importance of embedding Sharia compliance into the early design phase of fintech ventures. Retroactive compliance or superficial certification, by contrast, was associated with lower credibility and consumer confusion. Firms that combined technological agility with jurisprudential rigor were better positioned to navigate complex financial and legal environments.

The data suggest that legal ambiguity remains a persistent barrier but is not insurmountable. Islamic fintechs in the UK must navigate a regulatory environment that is both permissive and undefined, requiring innovation not only in technology but also in legal structuring and interfaith discourse. The findings indicate that success depends on the ability to integrate Sharia compliance into business strategy while leveraging the flexibility of UK financial law.

Legal recognition of Sharia-compliant products may not be forthcoming in statutory terms, but the UK's principle-based regulatory ethos offers room for interpretation and adaptation. Islamic fintechs can thus build legitimacy through transparent processes, expert governance, and proactive institutional engagement. The pathway forward lies in the co-evolution of legal frameworks and ethical financial models.

The results of this study demonstrate that UK-based Islamic fintech startups operate in a complex legal environment marked by both regulatory openness and normative ambiguity. Most startups rely on internal Sharia advisory boards to ensure theological compliance while attempting to align with the Financial Conduct Authority's (FCA) general requirements. The data show that firms engaging early with regulators, particularly through sandbox initiatives, tend to experience greater legal clarity and smoother product development processes. The presence of interdisciplinary teams that combine legal and religious expertise correlates with enhanced confidence in compliance and product credibility.

Documentary analysis revealed that the FCA does not offer explicit provisions for Sharia compliance, although it does not restrict it either. As such, startups navigate a system of informal accommodation rather than formal recognition. This environment favors innovation but places the burden of theological and legal reconciliation on the startups themselves. The case study of HalalPay exemplifies a successful model in which legal literacy, Sharia coherence, and early regulatory dialogue work in tandem to achieve operational legitimacy.

Stakeholder interviews consistently highlighted the difficulty of maintaining both Sharia and regulatory compliance under a secular financial system. Entrepreneurs described having to play dual roles—managing legal risk while simultaneously satisfying diverse Sharia interpretations. Scholars noted the strain of issuing fatwas in a jurisdiction that lacks national Sharia governance infrastructure, raising questions about interpretive consistency and market confidence.

The findings confirm that while regulatory hostility is absent, institutional uncertainty persists. Islamic fintechs must invest significant internal resources to construct governance mechanisms that are at once legally sound and religiously authentic. This balancing act defines the operational ethos of Islamic fintech within the British legal context and demands strategic foresight from startup leadership.

The study's findings correspond with prior literature emphasizing the challenges of integrating Islamic finance into secular jurisdictions. Previous research by Wilson (2014) and Rethel (2020) similarly observed the lack of regulatory specificity for Sharia-compliant products in the UK. However, these studies focused primarily on Islamic banks or sukuk instruments, without addressing the unique compliance tensions faced by agile, tech-driven fintech firms. This research expands the field by showing how digital innovation intersects with theological accountability in a legally pluralistic environment.

Unlike conventional Islamic finance studies, which often assume top-down policy engagement, this study illustrates how bottom-up negotiation strategies are central to Islamic fintech development. Entrepreneurs, not regulators, become the primary agents of legal-theological synthesis. This inversion of traditional institutional roles marks a significant departure from Islamic finance models in Malaysia or the GCC, where state-backed Sharia governance bodies guide compliance standards.

The evidence also differs from studies in countries with codified Islamic finance frameworks. In jurisdictions such as Indonesia or Saudi Arabia, compliance is often externally defined through statutory regulation or national fatwa councils. In the UK, however, Islamic fintechs must construct their own Sharia verification pathways. This structural independence allows for innovation but increases legal and reputational risk in the absence of centralized guidance.

This research complements emerging scholarship on ethical fintech and religious financial innovation in non-Muslim contexts. It underscores the value of cross-disciplinary expertise and flexible legal interpretation while cautioning against assuming universal transferability of Islamic finance models across jurisdictions. By focusing on the UK case, the study demonstrates that local legal culture significantly shapes the trajectory of Islamic fintech development.

The findings signal a broader transition in Islamic financial practice from institutional dependency to entrepreneurial autonomy. Islamic fintech startups are not merely commercial ventures; they represent a shift in how Sharia compliance is conceptualized, operationalized, and socially communicated. This decentralization of compliance responsibility illustrates the evolution of Islamic jurisprudence in diasporic and minority settings.

The emergence of dual-compliance logic—where startups answer both to secular law and religious law—reflects the pluralistic nature of financial ethics in the 21st century. Islamic fintechs must embody theological values while demonstrating legal accountability to state regulators, investors, and clients. This intersectionality challenges the traditional dichotomy between faith-based and secular finance, revealing new forms of hybrid governance.

The findings indicate that the United Kingdom's permissive but undefined stance creates both vulnerability and opportunity for Islamic fintech entrepreneurs. Regulatory ambiguity can constrain confidence and investor security, but it also empowers startups to define compliance models that are theologically nuanced and commercially adaptive. This environment requires a high level of institutional creativity, legal sophistication, and moral clarity.

This study suggests that Islamic fintech is a testing ground for broader debates about religious pluralism, legal neutrality, and financial innovation. The challenge is no longer simply whether Islamic finance can coexist with Western legal systems, but how such coexistence can be made structurally viable and normatively coherent. The model developed in this study highlights that ethical integration is not only possible but potentially generative.

The implications of this research extend to regulators, investors, and religious scholars. For regulators, the findings offer guidance on how principle-based oversight can accommodate religious diversity without compromising legal universality. For investors, the results suggest that startups with strong legal-Sharia integration offer greater credibility and lower reputational risk. For Sharia scholars, the research invites a rethinking of jurisprudential frameworks to better reflect digital finance realities and diaspora-specific constraints.

Policy recommendations derived from this study include the establishment of voluntary Sharia compliance guidelines for fintech within the FCA's innovation remit. These guidelines could draw on international standards such as those developed by AAOIFI but be tailored to the British legal and social context. A formal dialogue between regulators and Sharia boards could institutionalize mutual understanding without compromising the UK's secular legal tradition.

Islamic fintech founders are advised to invest in legal-Sharia training and interdisciplinary advisory teams from the outset. This internal capacity-building is key to navigating an uncertain regulatory landscape while maintaining theological integrity. Institutional partnerships with law firms, academic centers, and community-based Sharia councils may further enhance the legitimacy and resilience of Islamic fintech ventures.

This research highlights that the sustainability of Islamic fintech in the UK depends less on state endorsement and more on institutional agility and governance innovation. Regulatory neutrality should not be mistaken for absence of oversight. Islamic fintechs must earn public trust by demonstrating both legal transparency and religious authenticity, supported by robust compliance mechanisms and inclusive stakeholder engagement.

Strategic next steps include engaging with fintech associations, Sharia standardization bodies, and UK financial authorities to establish dialogue platforms that facilitate knowledge exchange and policy experimentation. Islamic fintechs must also collaborate with ethical fintech ecosystems to position themselves not only as religiously compliant, but as contributors to a more inclusive, values-driven financial future.

Further research should explore comparative models in other secular jurisdictions with active Muslim populations, such as Canada, Australia, or Germany. A cross-national study could help identify which regulatory and institutional conditions most effectively support the dual compliance imperative. Empirical tracking of user trust, investor behavior, and regulatory feedback would also enhance understanding of the long-term viability of Islamic fintech in legal pluralism.

Academic inquiry should continue to interrogate how Islamic jurisprudence adapts to financial technologies such as smart contracts, decentralized finance (DeFi), and tokenization. Collaboration between Islamic legal scholars and technologists is essential to translate classical fiqh concepts into programmable compliance logic. Such interdisciplinary scholarship will shape the future of Sharia compliance in an increasingly digital, borderless financial system.

CONCLUSION

The most significant finding of this research is the identification of a dual compliance paradigm in UK-based Islamic fintech startups, where firms simultaneously navigate secular financial regulations and internal Sharia governance structures without formal legal recognition. This duality reveals that regulatory neutrality, while fostering innovation, also imposes structural ambiguity that compels fintech entrepreneurs to become intermediaries between legal compliance and theological authenticity. The success of startups such as HalalPay underscores the possibility of developing internal governance mechanisms that satisfy both frameworks, but also illustrates the resource intensity and strategic complexity required to do so in the absence of standardized national Sharia oversight.

The principal contribution of this study lies in its development of a conceptual typology for navigating Sharia compliance within non-Muslim legal systems, specifically through a hybrid governance model. By integrating doctrinal legal analysis with qualitative fieldwork, the research provides a methodological innovation that bridges Islamic jurisprudence and fintech regulatory studies. The introduction of dual compliance logic as an operational framework advances the academic discourse on Islamic finance by offering a context-sensitive approach that reflects the realities of religiously motivated financial innovation in secular jurisdictions.

This model serves not only as a theoretical contribution but also as a practical guide for startups, regulators, and Sharia scholars seeking to co-develop inclusive, ethical financial ecosystems.

This study is limited by its focus on a single jurisdiction and a relatively small sample size of stakeholders, which may not capture the full diversity of institutional experiences and regulatory interpretations across different contexts. The absence of quantitative data on user behavior, investment patterns, and long-term market outcomes also constrains the generalizability of its conclusions. Future research should expand to cross-jurisdictional comparative studies, incorporating empirical performance metrics, digital legal infrastructure, and longitudinal analysis to assess how Islamic fintech evolves over time under varied legal, cultural, and economic conditions. Exploration of compliance automation through technologies such as smart contracts and AI-driven Sharia screening may further enhance the scalability and adaptability of the proposed hybrid governance model.

AUTHOR CONTRIBUTIONS

Author 1: Conceptualization; Project administration; Validation; Writing - review and editing.

Author 2: Conceptualization; Data curation; In-vestigation.

Author 3: Data curation; Investigation.

CONFLICTS OF INTEREST

The authors declare no conflict of interest.

REFERENCES

- 2024 ASU International Conference in Emerging Technologies for Sustainability and Intelligent Systems, ICETIS 2024. (2024). ASU Int. Conf. Emerg. Technol. Sustain. Intell. Syst., ICETIS. 2024 ASU International Conference in Emerging Technologies for Sustainability and Intelligent Systems, ICETIS 2024. Scopus. <https://www.scopus.com/inward/record.uri?eid=2-s2.0-85190553401&partnerID=40&md5=b664603f4de3723c0c92160f42990c50>
- Abdurrahman, A. (2024). Investigating the impact of digital business ecosystem in enhancing Islamic mobile banking adoption through the TOE framework. *Digital Business*, 4(2). Scopus. <https://doi.org/10.1016/j.digbus.2024.100096>
- Aisah, N., Putri, S. Z. J., & Hafizi, M. R. (2025). BLOCKCHAIN TECHNOLOGY INNOVATION AS AN OPTIMIZATION OF TRANSACTION SECURITY IN ISLAMIC FINANCIAL INSTITUTIONS. *Journal of Central Banking Law and Institutions*, 4(1), 23–48. Scopus. <https://doi.org/10.21098/jcli.v4i1.265>
- Alam, A., Mashitoh, D. D., Ashfahany, A. E., Hassan, F., & Javed, M. Y. (2025). Examining the impact of religiosity and environmental concern on switching behavior of Islamic digital-only bank users. *Banks and Bank Systems*, 20(1), 109–121. Scopus. [https://doi.org/10.21511/bbs.20\(1\).2025.10](https://doi.org/10.21511/bbs.20(1).2025.10)
- Alam, M. S. (2024). 30 years of research in Islamic accounting: A literature review. *PSU Research Review*, 8(2), 373–388. Scopus. <https://doi.org/10.1108/PRR-05-2021-0024>
- Albada, A. (2024). An insight into the signaling role of Sharia status: A case from an emerging IPO market. *International Journal of Islamic and Middle Eastern Finance and Management*, 17(6), 1155–1174. Scopus. <https://doi.org/10.1108/IMEFM-08-2023-0290>
- Alenazi, A., Chazi, A., M Alotaibi, E., & Gleason, K. (2025). Cleanliness is next to godliness: Can money laundering be sharia-compliant? *Journal of Financial Crime*, 32(3), 584–594. Scopus. <https://doi.org/10.1108/JFC-05-2024-0169>
- Alzalook, M. H., Lubis, A., & binti Mansor, F. (2025). Evaluating the Effect of Marketing Ethics on Customer Satisfaction: A Descriptive Analytical Approach. *Journal of*

- Information Systems Engineering and Management, 10(5), 172–184. Scopus. <https://doi.org/10.52783/jisem.v10i5s.601>
- Amri, M. C. E. L., Mohammed, M. O., & AlKhalili, M. M. S. (2024). FINTECH ADOPTION AND ITS INVESTMENT IMPACT IN ISLAMIC SOCIAL FINANCE: THE CASE OF ZAKAT. *Qudus International Journal of Islamic Studies*, 12(2), 213–254. Scopus. <https://doi.org/10.21043/qjijis.v12i2.17069>
- Andespa, R., Yeni, Y. H., Fernando, Y., & Sari, D. K. (2024). A systematic review of customer Sharia compliance behaviour in Islamic banks: Determinants and behavioural intention. *Journal of Islamic Marketing*, 15(4), 1013–1034. Scopus. <https://doi.org/10.1108/JIMA-06-2023-0181>
- Asif, R., & Nasir, A. (2024). Financial stability nexus of Islamic banks: An influential and intellectual science mapping structure. *Journal of Islamic Accounting and Business Research*, 15(4), 569–589. Scopus. <https://doi.org/10.1108/JIABR-07-2022-0167>
- Awamleh, F. T., Alaqarbawi, S. M., Weshah, S. R., Alarabiat, Y. A., & Bustami, A. N. (2024). Factors Influencing the Adoption of Business Intelligence in Islamic Banks. *Dalam Contrib. Manag. Sci.: Vol. Part F2529* (hlm. 147–157). Springer Science and Business Media Deutschland GmbH; Scopus. https://doi.org/10.1007/978-3-031-48770-5_13
- Bin-Armiya, M. S., Armiya, M. S., & Syarif, M. F. (2024). Economical rights versus God's rights: Criticising of the implementation Shariah economic in Indonesia. *International Journal of Islamic and Middle Eastern Finance and Management*, 17(6), 1267–1290. Scopus. <https://doi.org/10.1108/IMEFM-01-2024-0054>
- Cherni, S., & Ben Amar, A. (2024). Does digitalization affect shariah supervisory board efficiency? Evidence from Islamic banks. *Journal of Islamic Accounting and Business Research*. Scopus. <https://doi.org/10.1108/JIABR-03-2023-0077>
- Disemadi, H. S., Alhakim, A., Silviani, N. Z., & Febriyani, E. (2024). Intellectual Property Synergies: Merging Halal Certification with Indonesian Communal Intellectual Property Rights Laws. *Legality: Jurnal Ilmiah Hukum*, 32(1), 16–32. Scopus. <https://doi.org/10.22219/ljih.v32i1.30143>
- Faizi, F. (2024). How are Islamic banking products developed? Evidence from emerging country. *Cogent Economics and Finance*, 12(1). Scopus. <https://doi.org/10.1080/23322039.2024.2378961>
- Fikri, M., Muchtar, M. I., & Al-Amin, D. (2024). Emergence of Digital Matrimony: Exploring Islamic Legal Responses to Metaverse Marriages. *Journal of Islamic Thought and Civilization*, 14(2), 246–262. Scopus. <https://doi.org/10.32350/jitc.142.15>
- Hanafi, S., Nurdin, M. S., Nurkhaerah, S., & Osman, Z. (2024). Developing Halal Tourism Based on Local Wisdom in Religious Area of Sis Aljufri. *Indonesian Journal of Halal Research*, 6(2), 98–109. Scopus. <https://doi.org/10.15575/ijhar.v6i2.35121>
- Harun, S., Ahmad, I., Shafie, S., Choirisa, S. F. F., & Rizkalla, N. (2024). Developing Muslim-friendly hospital practices: Understanding the key drivers. *Journal of Islamic Marketing*, 15(11), 3137–3155. Scopus. <https://doi.org/10.1108/JIMA-03-2023-0094>
- Hassama, A., Soliman, M., & Noipom, T. (2024). Antecedents of Individuals' Switching Intention to Adopt Sharia Compliance in Fintech Transactions among Generation Y: A Case of Thai Southern Borders Provinces. *ASU Int. Conf. Emerg. Technol. Sustain. Intell. Syst., ICETISIS*, 796–800. Scopus. <https://doi.org/10.1109/ICETISIS61505.2024.10459354>
- Hatem Falih, O., Abedin, B., Yahyazadehfar, M., Safari, M., & Kassim, E. S. (2025). Exploring customer loyalty in Islamic banking: A model for the Iraqi market. *Journal of Islamic Marketing*. Scopus. <https://doi.org/10.1108/JIMA-04-2024-0148>
- Hurani, J., Abdel-Haq, M. K., & Camdzic, E. (2024). FinTech Implementation Challenges in the Palestinian Banking Sector. *International Journal of Financial Studies*, 12(4). Scopus. <https://doi.org/10.3390/ijfs12040122>
-

- Ichsan, M. (2024). Application of Sharia Hotels to CHSE Protocols and Adherence to Sharia Principles: Case Study of Grand Rohan Jogja Hotel. Dalam Yang X.-S., Sherratt S., Dey N., & Joshi A. (Ed.), *Lect. Notes Networks Syst.: Vol. 1013 LNNS* (hlm. 493–504). Springer Science and Business Media Deutschland GmbH; Scopus. https://doi.org/10.1007/978-981-97-3559-4_40
- Ichsan, M., Fitriyanti, F., Setiorini, K. R., & Al-Qudah, A. M. (2024). Digitalization of Islamic Banking in Indonesia: Justification and Compliance to Sharia Principles. *Jurnal Media Hukum*, 31(2), 244–261. Scopus. <https://doi.org/10.18196/jmh.v31i2.22485>
- Kismawadi, E. R. (2025). Improving Islamic bank performance through agency cost and dual board governance. *Journal of Islamic Accounting and Business Research*, 16(3), 461–483. Scopus. <https://doi.org/10.1108/JIABR-01-2023-0035>
- Manju, R. B., Ratnakaram, S., & Manikeswari, D. (2024). ESG Integration in Islamic Banking Sector in the Kingdom of Bahrain: Paving the Path to Sustainable Finance. Dalam *Stud. Syst. Decis. Control* (Vol. 537, hlm. 215–229). Springer Science and Business Media Deutschland GmbH; Scopus. https://doi.org/10.1007/978-3-031-62106-2_18
- Maskuroh, N., Peristiwo, H., & Suganda, A. D. (2024). Indonesian Sharia Tourism Towards a Sustainable Halal Industry. Dalam *Stud. Syst. Decis. Control* (Vol. 524, hlm. 901–911). Springer Science and Business Media Deutschland GmbH; Scopus. https://doi.org/10.1007/978-3-031-54379-1_77
- Minaryanti, A. A., & Mihajat, M. I. S. (2024). A systematic literature review on the role of sharia governance in improving financial performance in sharia banking. *Journal of Islamic Accounting and Business Research*, 15(4), 553–568. Scopus. <https://doi.org/10.1108/JIABR-08-2022-0192>
- Morshed, A., Othman, M. D., & Al-Amarneh, A. (2024). INVESTIGATING THE APPLICABILITY OF THE EXPECTED CREDIT LOSS MODEL TO ISLAMIC SUKUK: LAW ASPECTS. *Corporate Law and Governance Review*, 6(3), 81–89. Scopus. <https://doi.org/10.22495/clgrv6i3p9>
- Mustafa, D. I., Alzebdieh, R. M., Abdullatif, M., & Al Majali, S. A. (2024). Intellectual capital and firm performance of Jordanian financial institutions. *Banks and Bank Systems*, 19(3), 9–22. Scopus. [https://doi.org/10.21511/bbs.19\(3\).2024.02](https://doi.org/10.21511/bbs.19(3).2024.02)
- Naim, N., & Kasri, N. S. (2025). Intellectual Property and Islamic Finance: Opportunities and Challenges for a New Islamic Intellectual Property Finance Framework. *Thunderbird International Business Review*, 67(3), 395–412. Scopus. <https://doi.org/10.1002/tie.22430>
- Parveen, R., Raza, A., Shakeel, M., & Alam, M. N. (2024). Identifying Latent Research Themes on ESG Score and Sharia Compliance: Topic Modelling Approach Using Latent Dirichlet Allocation (LDA). *Int. Conf. Sustain. Islam. Bus. Financ., SIBF*, 350–355. Scopus. <https://doi.org/10.1109/SIBF63788.2024.10883833>
- Purwatiningsih, A., Purnamasari, S., Setyawati, H., Indriani, A., Prawitasari, D., & Fitria, S. (2024). Bibliometric Analysis of Islamic Crowdfunding: A Literature Review of Its Journey. *F1000Research*, 13. Scopus. <https://doi.org/10.12688/f1000research.146797.2>
- Rahayu, S. K., Komala, A. R., & Yusuf, S. N. B. T. S. (2024). Enhancing Islamic Banking through Accounting and Taxation Harmonization: A Comparative Study of Indonesia and Malaysia. *Australasian Accounting, Business and Finance Journal*, 18(5), 1–36. Scopus. <https://doi.org/10.14453/aabfj.v18i5.09>
- Razak, S., Nasuka, M., Abdullah, I., & Raking, J. (2024). FACTORS INFLUENCING THE BEHAVIORAL INTENTION TO USE SHARIA SECURITIES AS AN INVESTMENT OPTION IN INDONESIA. *International Journal of Business and Society*, 25(1), 91–110. Scopus. <https://doi.org/10.33736/ijbs.6902.2024>

- Saha, K., & Shaik, M. (2024). Dynamic nexus between Sharia and ESG indices and ETFs in India. *Cogent Economics and Finance*, 12(1). Scopus. <https://doi.org/10.1080/23322039.2024.2409423>
- Saleh, A. O., & Alswaidan, M. W. (2024). Development of Asset-Based and Asset-Backed Sukuk Issuance: Case of Malaysia. *Dalam Stud. Syst. Decis. Control* (Vol. 487, hlm. 351–359). Springer Science and Business Media Deutschland GmbH; Scopus. https://doi.org/10.1007/978-3-031-35828-9_30
- Salman, S. A. (2024). Islamic baking innovation with a special focus on Al-ijarah thumma Al-bai (AITAB). *Dalam Entrep. Innov. And Educ. For Perform. Improv.* (hlm. 613–623). IGI Global; Scopus. <https://doi.org/10.4018/979-8-3693-7903-5.ch025>
- Shin, J., Lew, Y. K., & Seo, M. (2024). Constructing Muslim womanhood in Indonesia: Hijab and the governmentality of religious organizations. *Asian Journal of Social Science*, 52(3), 136–144. Scopus. <https://doi.org/10.1016/j.ajss.2024.07.001>
- Simsek, R., Mollah, S., & Tunyi, A. (2024). Corporate governance structure and climate-related financial disclosure: Conventional banks versus Islamic banks. *Business Strategy and the Environment*, 33(6), 5503–5528. Scopus. <https://doi.org/10.1002/bse.3753>
- Taufik, M., & Budiarsyah, G. G. (2025). Board characteristics and profitability in sharia-compliant and non-sharia-compliant firms: Beyond mere ceremony? *Asian Review of Accounting*, 33(2), 341–366. Scopus. <https://doi.org/10.1108/ARA-03-2023-0082>
- Taufik, M., & Handayani, W. (2024). Do markets react to dividend announcements and sharia compliance? Evidence from organisation of Islamic cooperation countries. *Journal of Islamic Accounting and Business Research*. Scopus. <https://doi.org/10.1108/JIABR-02-2023-0042>
- Timur, Y. P., Ridlwan, A. A., Suryaningsih, S. A., Fikriyah, K., Susilowati, F. D., & Rofiqo, A. (2025). Exploring tourist switching intention to halal tourism with the push-pull-mooring theory. *Journal of Islamic Marketing*. Scopus. <https://doi.org/10.1108/JIMA-09-2024-0415>
- Trishananto, Y., Mas'ud, F., & Fauziah, U. N. (2024). Formulating policies for halal tourism in Indonesia based on Islamic law. *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan*, 24(1), 47–70. Scopus. <https://doi.org/10.18326/ijtihad.v24i1.47-70>
- Umar Mai, M., Edman Syarief, M., Setiawan, I., Burhany, D. I., Ruhana, N., Amin, H., & Jamaluddin, M. R. (2024). Indonesian mining companies' social responsibility performance: The role of ownership structure and sharia compliance. *Cogent Business and Management*, 11(1). Scopus. <https://doi.org/10.1080/23311975.2024.2396738>
-

Copyright Holder :

© Daniel Wilson et.al (2025).

First Publication Right :

© Sharia Oikonomia Law Journal

This article is under:

