

# TAKING NOTICE OF UK BUSINESSES

**THE SMALL BUSINESS COMMISSIONER  
&  
GROWTH STREET**

A SURVEY INTO LATE PAYMENTS TO SMES  
AND THE EASE OF USE OF BANKING TECHNOLOGY



**JULY 2019**

## Forward: Paul Uppal & Greg Carter



### **Paul Uppal, the Small Business Commissioner**

There are 5.7 million small businesses throughout the UK and the majority of them are probably all too familiar with the issue of late payment.

Working collaboratively with Growth Street on the 'Taking Notice of UK Businesses' survey has provided us with an insight into the personal perspective that small businesses have on poor payment practices. The survey indicates that small businesses tolerate late payment due to a fear of retribution.

To date my Office has recovered over £4.3 million in late payments for small businesses, however this is a long-standing issue and will not be solved overnight.

Small businesses are the backbone of the UK economy and I will work with Government to demonstrate action will be taken to ensure small businesses have the full support to grow and be sustainable for the foreseeable future.

It is good to see there is an increased awareness about the functionalities of Open Banking, and Growth Street's transformation of the overdraft provides further support and options for small businesses to access flexible finance.



### **Greg Carter, Founder and CEO of Growth Street**

It is a boon for small businesses to have a champion such as Paul keeping SME voices front and centre among policy-makers. It's been a real pleasure working with him to explore the attitudes of firms from across the UK towards late payments and Open Banking in this first 'Taking Notice of UK Businesses' survey.

As this survey shows, late-payments from customers (or in some cases no payments at all!) are a significant issue for many businesses. Combining this with the difficulty many of them have securing a source of flexible working capital can have a toxic effect on a firm's cash flow.

At Growth Street we've transformed the overdraft to help businesses address these problems. Since the 2008 financial crash, the big banks have dialed back their SME overdraft volumes by 50%. Yet, in that same time, the number of small businesses has risen by 30%. We want to help plug that gap with quick, flexible finance.

One way we look to speed up our lending decision-making is by using Open Banking. Fortunately, the survey results make good reading, as an overwhelming amount of respondents say they have heard of Open Banking, and most would be happy to use it to securely share their information.

It's rather concerning, then, that in the first quarter of 2019, Open Banking was only available from the big banks 83% of the time, amounting to 5,000 hours of total down-time. Considering for many businesses it will likely have been the first time they have tried Open Banking, this will no doubt have left a bad taste in the mouth and done extensive damage to the confidence SMEs have in it."

## Summary

- 43% of the 243 businesses we surveyed who identified as small or medium-sized said they'd experienced late payments for their goods or services from large businesses.
- Shockingly, 82% of that same group said that not getting paid at all for their work was a significant issue, with many saying they decided not to take any action for fear of putting their client relationship at risk. The survey also highlights a lack of government and local authority support in taking action against late or unpaid invoices as a concern.
- Confidence in the banks remains high, and they would still be the first point of call for most SMEs when looking at finance options.
- 63% of SME businesses surveyed said they'd heard of Open Banking. While, interestingly, up to 70% said they'd be happy to use Open Banking if they were to apply for a business loan.

## Late Payments to Small and medium-sized enterprises

**Only 14% of those surveyed said the payment terms they had agreed and signed with their suppliers were greater than 61 days.**

Even with the low volume of businesses agreeing to longer payment terms, 86% of those who identified themselves as either small or medium sized businesses in the survey still had experienced late payments for their goods or services.

To make matters worse, 43% said they had been subject to late or otherwise unfair payment practices from large businesses. There was a worrying trend in the survey, too, that 82% have experienced not getting paid at all for their invoiced goods or services.

When asked why they didn't take action when invoices remained unpaid, the survey revealed:

- 54% said it was to protect client relationships.
- 79% said it was time consuming, with low pay-offs.
- 71% said it is because there is a lack of support from the government or local authorities.

## Banking technology

**The survey found that 64% of businesses surveyed would first go to their current account supplier when seeking out financial information about their business, with 31% saying they would instead start their research with their accounting software.**

88% of businesses who identified their business as either small or medium-sized said having easy access to a variety of finance providers and business banking services via their existing online banking application was a significant issue. While, unsurprisingly in the current climate, 95% pointed to secure handling of their business' financial information as a primary concern.

When asked whether a business would be open to connecting to Open Banking, those that had been with their existing provider longer were much less likely to be open to the idea. On average, those reluctant to connect to Open Banking had been with their provider for over 9 years. On the flip side, the average for those who were already connected and happy to do so again was down at 6 years.

68% of those who'd start at their bank when looking for financial information said they'd be happy to connect to Open Banking, compared to just 29% of those who'd start with their accounting software.

With that said, 78% of those surveyed still have not used Open Banking, but, of those, 62% would still be willing to do so.

## About Small Business Commissioner



**Small Business  
Commissioner**

The Small Business Commissioner (SBC) is an independent public body set up by Government under the Enterprise Act 2016 to tackle late payment and unfavourable payment practices in the private sector. The SBC covers the whole of the UK - England, Wales, Scotland and Northern Ireland.

Launched in December 2017 the Small Business Commissioner, Paul Uppal, leads an independent office aimed at empowering small businesses in resolving disputes around late and unfair payment issues and provides advice, including on how to take action if a payment is overdue.

The Commissioner urges small businesses affected by late or unfair payment practices to use the SBC's complaint investigation service and promises to take action to tackle the worst examples of supply chain bullying.

## About Growth Street



**GROWTH STREET**

Growth Street is transforming the business overdraft. Its flagship product, GrowthLine, is a flexible overdraft-style line of credit between £25k - £2m designed to support small and medium-sized British businesses. Since launching in 2014, Growth Street has already facilitated more than £100m of borrowing through its platform

In recent months, Growth Street has announced marketplace partnerships with cloud accounting providers Xero and challenger bank Starling. Growth Street has a national sales team, with on-the-ground coverage across the UK.



Growth Street commissioned Opinium Research to survey of 500 UK SME decision makers between 18th - 24th June 2019 via Opinium's SME Decision Maker Omnibus.



## **GROWTH STREET**

Growth Street Limited is registered in England & Wales (company number 09264172).  
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