

Smallest Businesses Saw 60% Increase In Overdue Payments In The Last Year

- Small businesses owed £21,356 in late payments in September – 62% of their turnover
- The smallest businesses are hit hardest with highest proportion of invoices owed
- Micro-businesses are owed 60% more in late payments than the last year, despite stronger economic growth

LONDON, Nov. 22, 2021 /PRNewswire/ -- [New research from the quarterly Intuit QuickBooks Late Payments Bulletin](#)¹ reveals late payments² are continuing to have a significant impact on UK small businesses – with the smallest businesses being some of the worst hit.

Overall, it shows that small and medium-sized businesses (SMBs) with at least one overdue invoice were owed £21,356 in late payments on average in September – almost two thirds (62%) of the average SMB's typical monthly turnover³.

The research also found that the average amount owed to SMBs in late payments has risen 11% year-on-year, up from £19,224 in September 2020, as the challenges experienced during recent lockdowns continue to have a significant impact. Almost two thirds (64%) of the invoiced amount owed to small businesses was overdue in September.

Micro-businesses hit hardest by late payments

The research found that micro-businesses (those with turnover of between £1k - £19k) are some of the worst-hit by late payments from customers and clients – and that this is getting worse.

Micro-businesses are owed considerably more compared to last quarter, with the average amount owed rising 26% in September to £2,400, from £1,900 in May 2021. Over the last year the gap has grown considerably, with the average amount owed rising 60% from £1,500 in September 2020.

Two fifths (41%) of micro-businesses' invoices due in September were still overdue at the time of reporting⁴. As a result, the smallest businesses are looking to speed up payments by tightening their payment deadline terms. Close to half (43%) of micro-businesses now require instant payment, and this has been steadily on the rise throughout 2021.

Table 1: % invoiced amount overdue, and average amount owed, by SMB turnover

Average annual turnover	% Invoiced Amount Currently Overdue (due in September 2021)	Average amount owed
£1k - £19k	41.3%	£2,400
£20k - £85k	41.3%	£5,000
£86k - £200k	40.5%	£10,400

£201k - £999k	39.8%	£26,600
+£1M	38.7%	£111,800

Harry Pill, Founder of Fresh Cut Video, said: "We are still feeling the impact of the pandemic when it comes to late payments, particularly in dealing with clients in the hospitality and entertainment sector – which has been under particular pressure.

"It's a tough situation for us, as we're sympathetic to their plight and don't want to be chasing them and adding interest. On the other hand, we have done the work and paid for the staff and expenses involved, yet haven't seen a penny back. We don't have many options for dealing with late payments, and in the worst-case scenario may have to write it off. Service providers like my company need as much help as possible, especially as we also battle to recover from the impact of the pandemic."

Chris Evans, VP and UK Country Manager at Intuit QuickBooks, says: "It is concerning to see that late payments are worsening for the smallest businesses. With tighter profit margins and limited cashflow, these businesses will be the most heavily impacted by unpaid invoices. Many micro-businesses are reducing their payment terms to try to combat the problem but it appears this is not having the expected effect.

"Late payments are a burden, but there are ways that small businesses can arm themselves against the impacts. Investing in digital software is one option – it can flag invoices and send automatic reminders as soon as they become overdue, saving valuable time and reducing stress. Most small businesses are still feeling the effects of the pandemic on their finances, and they need to be able to focus on what is really important: recovering and rebuilding for a successful future."

QuickBooks' top tips for preventing late payments, through digital software:

- **Invoice tracking:** Digital tools automatically track paid, opened and outstanding invoices, allowing small businesses to keep track of who has paid and who hasn't paid their invoices with instant real time alerts.
- **Offer customers more ways to pay:** Financial management software allows small businesses to offer suppliers easy ways to pay, from a contactless card reader to direct debit collection, so they can pay in a couple of clicks. For example, QuickBooks integrates with GoCardless for recurring payments and PayPal for electronic payments. This speeds up the process and enables businesses to be paid without having to share bank details.
- **Set automated reminders:** These allow small business owners chasing suppliers to swap awkward calls and emails with automated reminders, set to a time that works for them.

Notes to Editors

¹Late payments are either: 1. invoices that were paid in full but paid after the due date or 2. still currently unpaid, or not paid in full.

²Anonymised aggregate data from Intuit QuickBooks's entire UK customer base. A snapshot of the late payments issues faced by SMBs in the UK today.

³For SMBs in the private sector only. [Government business population statistics](#) state there are 5,583,245 private sector SMEs (0-249 employees) in the UK, with an average turnover of £2.3 trillion (£2,309,836,000,000). The average annual turnover is therefore £413,709.

Dividing this by 12 gives the average monthly turnover of £34,475.75.

⁴Most recent data available.

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