

British businesses suffer due to £500billion delay in unpaid invoices

- *UK SMEs are owed more than £500bn by customers – up 70% in two years*
- *They own more than £2.5tn in assets that could be used to fund further growth – more than treble the amount owned in 2014*
- *A third of firms expect the problem of late or slow payments to get worse*

British SMEs are owed more than £500billion in outstanding invoices, an increase of more than 70 per cent in two years, according to the latest Lloyds Bank Commercial Banking Business in Britain research.

The problem is likely to get worse during 2016, with almost a third (30 per cent) of small businesses expecting more of their customers to demand deferred payment terms in the next six months, the research found.

UK SMEs also own almost £2.5trillion of assets that could be used to fund further growth, again a huge 220 per cent increase on 2014, when Lloyds Bank found that small and medium-sized businesses owned a total of £770bn in assets.

Together, the figures suggest that a lack of understanding of alternative funding options is holding British businesses back.

Stephen Everett, head of product and propositions for Lloyds Bank, Global Transaction Banking, said: “Nearly a third of businesses (31 per cent) told us that late payments were affecting their cashflow, and with the amount of money owed them in unpaid invoices, it’s not surprising.

“Yet having this volume of unpaid invoices – just like having thousands tied up in physical assets – needn’t prevent firms from having working capital to invest in growth.

“Different types of funding such as invoice finance or asset-based lending can help unlock the working capital that they need, allowing businesses to grasp more of the opportunities that exist at the moment.

“Failing to take advantage of these types of funding, on the other hand, could be seriously holding them back, affecting not only their growth, but for many firms, potentially stunting the the growth of the entire supply chain beneath them.”

The research also found:

- Around one in six (17 per cent) of SMEs admit to having cashflow problems (2014: 19 per cent)
- Almost a third (31 per cent) said that late payment was the biggest cause of cashflow difficulties. A further 11 per cent blamed defaults by customers.
- The average SME is now owed £100,000 in outstanding invoices (2014: £60,000)
- One in four businesses (25 per cent) are owed £200,000 (2014: 10 per cent)
- The average SME has more than £600,000 in physical assets (2014: £240,000)
- It also owns more than three quarters (77 per cent) of those assets outright (2014: 65 per cent)

Businesses in Sussex, Surrey, Hampshire and Dorset were owed the most in outstanding invoices (£109,000 on average), while those in Scotland were owed the least (£79,000).

Those in London and Essex owned the most valuable assets (£670,000) but owned the lowest proportion of those assets outright (72 per cent).

By contrast, businesses in Bristol, Somerset, Devon and Cornwall owned the least valuable assets (£520,000), but owned the greatest proportion of those assets outright (82 per cent).

Stephen Everett added: “Unless businesses look at ways to unlock the value tied up in these assets, both they and the UK economy overall are likely to be held back.”

Alternative funding options can use these unpaid bills and assets to help provide firms with cashflow difficulties with access to working capital, ensuring they don't miss out on opportunities to grow.

Such options include invoice finance, for example, which can allow companies to access up to 90 per cent of an invoice's value within 24 hours of it being issued.

By taking the guesswork out of payment times, this gives businesses greater control of the working capital they have access to. Because it can grow with a company's turnover, it can also give them greater access to capital as their order books increase in size.

Asset based lending enables businesses to unlock the value tied up in stock, plant, machinery or property to give them access to working capital that can help them expand, acquire new equipment, or even fund a management buy-out or acquisition.

Designed for businesses with a turnover of more than £1million, it works alongside invoice financing to provide a cost-effective, scalable and flexible way of increasing working capital without slowing growth.

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Notes to editors

The Business in Britain report, now in its 24th year, gathers the views of 1,500 UK companies, predominantly small to medium sized businesses, and tracks the overall "balance" of opinion on a range of important performance and confidence measures, weighing up the percentage of firms that are positive in outlook against those that are negative.

- Responses from 1500 firms were collated in November 2015 by BDRC Continental.
- 55 per cent of the responses came from businesses with an annual turnover below £10 million
- 8 per cent of the responses came from businesses with an annual turnover between £10m and under £15million
- 37 per cent of the responses came from businesses with an annual turnover of over £15 million

Download the full report from www.lloydsbank.com/businessinbritain

Lloyds Bank Commercial Banking provides comprehensive expert financial services to businesses of all sizes, from start-ups and small businesses to mid-sized businesses and multinational corporations. Maintaining a network of relationship teams across the UK, as well as internationally, Lloyds Bank Commercial Banking delivers the mix of local understanding and global expertise necessary to provide long-term support to its clients.

Lloyds Banking Group wants to help people in Britain tackle some of the issues they're facing – such as getting on the housing ladder, finding a job or growing a business. That is why we have launched the Helping Britain Prosper Plan which demonstrates our commitment to our communities. For business that means helping UK business to start-up, scale-up and trade internationally to support the long-term strength of the economy.