

PRESS RELEASE

1st August 2016

1.4 million SMEs forced to write-off debt each year

One in four businesses suffer bad debt of more than £10,000 as customers fail to pay

More than a quarter of small and medium sized enterprises (SMEs) in the UK, suffer from bad debt, when customers fail to pay, according to a study by business funder, Bibby Financial Services (“BFS”).

Findings from BFS’ SME Confidence Tracker report for Q2, undertaken before the EU referendum, show that 27 per cent of SMEs have written-off money in the past year.

Across the business population, findings equate to more than 1.4m SMEs suffering from bad debt over the past 12 months*. The average amount scrapped by each business due to customers not paying invoices was £11,829.

BFS Global Chief Executive, David Postings said: *“Bad debt is a chronic problem for SMEs and can lead to staff cuts, delayed investment plans and - at worst - insolvency.*

“Following the UK’s vote to leave the EU there is clearly some anxiety amongst SMEs and throughout the wider economy. But now is the time for businesses to take growth and stability into their own hands and this must start by taking a more planned approach to chasing payment and protecting themselves against the effects of bad debt.”

SMEs in the transport (30%) and construction (29%) sectors were worst hit with construction businesses writing off almost £15,000 on average over the past year.

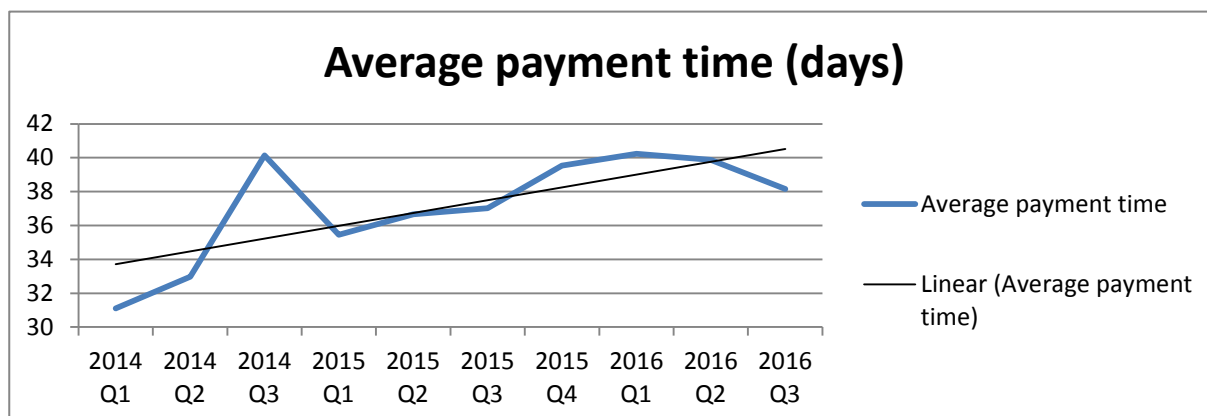
Mr Postings continued: *“Non-payment can occur due to customer insolvency, payment default or dispute and the issue is particularly problematic in industries where raw materials and labour costs have been paid up front. The construction sector is particularly prone to the effects due to the nature of billing and notoriously lengthy payment terms.”*

The Q2 report shows that average invoice payment times of SME customers have reduced to 38 days, down from 40 days in Q1. However, this remains a week longer than the Tracker low of 31 days in Q1 2014.

A Small Business Conciliation Service was announced as part of the Enterprise Act 2016 to help businesses settle payment disputes and to reduce the impact of late payment. It is unclear how the Government’s plans to revamp the Department for Business Innovation and Skills as the Department for Business, Energy and Industrial Strategy, will affect previously announced measures.

Mr Postings added: *“SMEs across the country must take steps to prevent late payment and non-customer payment from affecting them, particularly at a time of uncertainty when suppliers may look to squeeze payment terms for their own benefit.*

“Now is an ideal time for the new Secretary of State for Business, Energy and Industrial Strategy to set-out the Government’s support plans on critical issues for SMEs, such as late and disputed payments.”



ENDS

*Based on BIS, Business Population Estimates showing 5.4m SMEs in 2015:
<http://www.parliament.uk/briefing-papers/sn06152.pdf>.

NOTES TO EDITORS:

The SME Confidence Tracker surveys over 1,000 of the UK’s small and medium sized businesses on a quarterly basis. The Tracker charts the confidence of owners and senior decision-makers of businesses in manufacturing, construction, wholesale, transport and services sectors. Field work for the Q2 report took place in May and June 2016 – before the EU referendum vote - and businesses had an average annual turnover of £1.5 million.

For further information on this press release, or to request an interview or images, please contact Alexander Burley at H+K Strategies on **0207 413 3033** or email: bfs.pressoffice@hkstrategies.com.

About Bibby Financial Services

Bibby Financial Services is the UK’s leading independent invoice finance specialist and a trusted provider of funding solutions to 7,000 businesses.

Through our network of 19 local offices, we handle annual client turnover of £5 billion and advance in the region of £483 million to small and medium sized businesses throughout the country.

Formed in 1982, we are members of the Asset Based Finance Association and support businesses in over 300 industry sectors.

In 2011, 2012, 2014, 2015 and 2016 the company was awarded a place in *The Sunday Times 100 Best Companies to Work For*, ranking 31st in the most recent poll.

To find out more about Bibby Financial Services visit:
www.bibbyfinancialservices.com.