



Beautiful business



Settle up

Shining a light on the late payments scandal

JULY 2024



A growing public concern

Late payments is a huge issue for small businesses, but it rarely gets the attention it deserves.

When larger firms hold on to the money they owe suppliers for too long, those small businesses suffer. Many suffer cash flow challenges which can impact both their financial and mental health.

The late payment crisis [cost small businesses an estimated £1.6 billion in 2023*](#). There is a real public concern around this issue. People believe big business should behave better, and they are calling on governments to act.

Xero commissioned research among 2,000 adults by Opinium which shows:


- 70% see paying bills late as a form of theft or bullying. **People are shocked by the scale of the late payments crisis**
- 62% say they expect tackling late payments to be among the government's highest priorities. **Voters are surprised that this problem has persisted for so long**

**The cost of late payments to small businesses has been estimated as the time value of the outstanding invoice value of all small and medium businesses in the UK. This calculation is based on businesses with less than 50 employees for the United Kingdom.*

- 72% say they would prefer not to buy from companies that don't pay their bills on time. **A bad payment record could be bad for business**

In the 2024 General Election, many of the political parties - including the three main ones - pledged to tackle late payments. Yet it received little attention in the main leader debates or media discourse. For decades governments have committed to address the problem, and yet it persists.

Neither the government nor big businesses can afford to sideline the issue. Men and women on the street are standing up for small businesses. And they are prepared to take steps against those that allow the crisis to continue.

 **Alexander von Schirmeister**
Managing Director, UK and
Emerging Markets - Xero

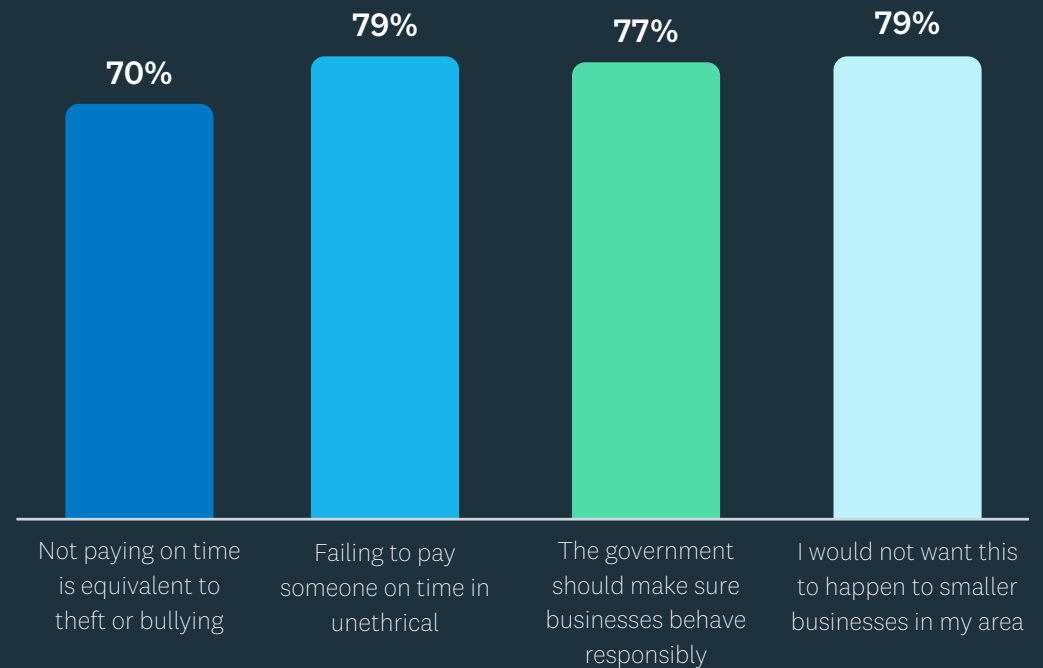


1. Late payments provoke public shock and anger

Consumers are shocked by the scale of the late payment crisis, which they consider an unethical act of bullying or theft.

- **People are shocked by the scale of the problem** – 61% are shocked by the extent of the crisis. Some 48% say that late payments to small businesses make them angry
- **Consumers view late payments as unethical and inexcusable** – 70% say it is a form of theft or bullying and 79% say failing to pay on time is unethical
- **Consumers wouldn't cope if they were paid late** – 86% say not being paid what they're owed would have a major impact on their personal stress levels. 47% would be unable to pay their household bills. 41% say they would struggle to buy food for themselves and their family
- **There are no excuses** – 80% of people say that there's no excuse for big businesses to pay late as technology makes it so easy to pay when it's due. For instance, consumers can pay immediately with their watches, when they wish

Public reactions to the late payment crisis



This graph shows the percentage of survey respondents who agreed with the statements. Respondents could select all statements that they agreed with.

2. Voters demand immediate government action

Voters are surprised that the problem has persisted for so long. They expect a crackdown on late payments to be among the new government's top economic priorities.

- **Big businesses are held most responsible for the late payment crisis** – three in five people (62%) say large firms should tackle the problem. Two fifths (42%) say the government is most responsible for tackling the crisis
- **But voters do expect government to act** – over half (56%) are surprised that governments have not stopped big businesses paying late. Some 62% say fixing the problem should be a policy priority

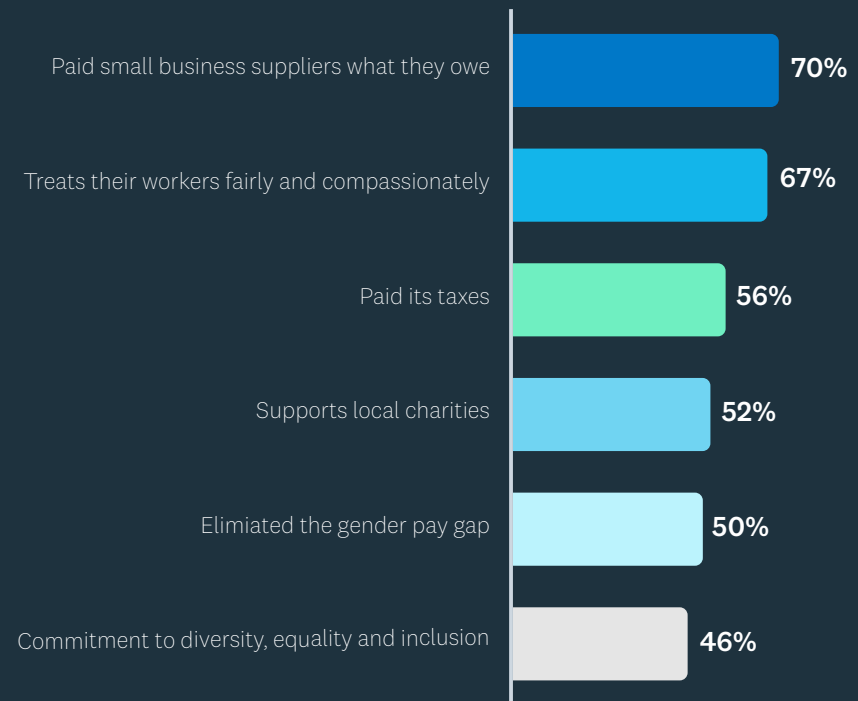


3. Poor payments are bad for business

Consumers are less likely to buy from companies which don't pay what they owe on time.

- **People trust and believe in their local small businesses** – 67% believe small businesses care more about customers than larger firms do. Almost two thirds (65%) believe what small businesses bring to the community is as important as their profits
- **People won't buy from big businesses that don't behave well** – some 72% would prefer not to buy from companies that don't pay their bills on time. Three quarters (75%) say big businesses need to reevaluate their policies around fair payment
- **How businesses treat smaller firms and suppliers is the ethical consideration most likely to influence a consumer's purchasing decision** – some 70% said they would be more likely to buy from a business that paid their suppliers and small businesses what they owe, when they owe it.

Big business behaviours which influence consumers likelihood to buy from them



This graph shows the percentage of survey respondents who agreed with the statements when asked what would make them more or less likely to buy from a large business.

Solving the problem

Consumers are shocked by the extent of the late payment crisis. They expect immediate action. They are prepared to scrutinise the activities of both government and big business until people see evidence of better behaviour.

Xero has previously set out [detailed policy recommendations](#) to end late payments. This new research emphasises the need to prioritise the following:

1. Change the language around late payment

This research shows that the term “late payment” doesn’t do justice to the severity of the problem. Some 34% think that “big business bullying” would be more appropriate, 32% would prefer “big business theft” and 36% would call it “cash-flow abuse”.

Xero believes late payments should be called what they are: “unapproved debt”. Big companies should then be required to report on how much unapproved debt they are using to finance their operations. If Audit Committee reform is not enough, then government must consider bringing in a Fair Buyers’ Act.

Ade Hassan
Founder of Nubian Skin

2. Raise public awareness of the crisis

Our research makes it clear that, when in possession of the facts, consumers will stand up for small businesses. They will even make decisions about which large companies to buy from based on that firm’s payment practices.

Organisations such as Good Business Pays, are already doing great work in making people more aware of this information. Government must do all it can to further promote the information it already holds to the public and be transparent around the reporting data it holds.



3. Big businesses must transform their payment culture

People hold large companies responsible for the crisis. Three quarters (75%) say big businesses need to re-evaluate their policies around fair payment whether directly or across the supply chain. Just as no good company would dream of paying its employees late, consumers expect businesses to pay their suppliers on time.

Too often, paying a supplier late is not an oversight or an accident. At times, it can be a deliberate business decision to withhold other people's money for as long as possible. It is an unapproved debt.

4. Celebrate positive payment performance

Many big businesses need to improve their reputation with consumers. Too many people (54%) believe bad payments practices are "what I have come to expect from bigger businesses".

In reality, many companies do have a good track record on paying their suppliers on time. Publicising their own good practice could have commercial benefits for them, and make it clearer to bad payers that they need to improve.





Unless otherwise stated, all stats in this document are from a nationally representative survey of 2000 adults within the UK, conducted by Opinium.

In the research, we asked respondents a range of questions relating to their understanding of the late payment issue. We then briefed them on the true extent of it, and asked a series of follow up questions. Overall, when made aware of the extent of the late payment problem, people were shocked at the scale.