

Bad debt levels soar by 61% for UK SMEs as supply chains are hit by rising insolvencies

- *Bad debt and insolvencies on the rise, putting SME futures at risk*
- *Almost half of SMEs have seen business customers cease trading in the last six months*
- *Access to finance now critical to the UK's economic recovery*

London, 3rd April 2023: New research published by [Bibby Financial Services](#) (BFS) reveals the extent to which the UK's small and medium sized enterprises (SMEs) are exposed to substantial debt stress today. The average bad debt amongst UK SMEs has jumped 61 percent - from £10,329 in Spring 2022, to £16,641 today. Currently, around 1.5 million - or 27 percent - of SMEs are struggling with this issue.

Combined with [official statistics](#) showing insolvencies in February jumped 17 percent when compared to the same time last year, data from BFS's latest SME Confidence Tracker expose the fragility of Britain's 5.5 million SMEs.

BFS found that almost half (47%) of businesses surveyed have seen at least one business customer cease to trade in the last six months alone, and a quarter (25%) have seen three or more customers become insolvent.

Derek Ryan, UK Managing Director of Bibby Financial Services said: *“Rising insolvencies are causing huge ripple effects throughout supply chains across the country, leading to greater levels of bad debt for small and medium sized businesses. Combined with the rising cost of borrowing, this presents a significant and very real threat to the survival of many SMEs today. It's more important than ever that businesses shore-up their credit control processes and look for ways to protect themselves against insolvency in their supply chains.”*

Six in 10 businesses (60%) say it's taking longer for customers to pay their invoices in full compared to a year ago, and 29 percent - equivalent to around 1.6 million - are worried about how long it's taking for invoices to be paid. Today, SMEs each have an average £68,413 owed to them in unpaid invoices, stifling growth at a time when the Government is trying to drive economic prosperity.

Today's environment is also making it harder for businesses to access the finance they need to continue operating, let alone grow. Three in five (59%) businesses surveyed say it's harder to secure a loan today than during the pandemic and one in ten (11%) say they have struggled to secure finance for their business in the last six months. Meanwhile, nearly four in ten (39%) are worried they won't be able to pay back loans if interest rates continue to rise.

Derek Ryan, UK Managing Director of Bibby Financial Services added: *“We may have narrowly avoided recession, but economic conditions remain incredibly volatile, especially for SMEs. Not only are SMEs grappling with the perennial issue of*

late payment and rising levels of bad debt, they are also struggling to access the finance they need to operate day-to-day.

“More than ever, SMEs need to be able to access the funding they need to operate from a variety of sources. We would encourage the Government to relaunch the Bank Referral Scheme to boost SME funding at this pivotal time in the UK’s economic recovery.”

ENDS

Notes to editors

Media enquiries

For media enquiries please contact: bfsteam@firstlightgroup.io

Methodology

This study is based on a poll of 500 UK SME owners and decision makers across the manufacturing, construction, wholesale, transport and services sectors.

Research was conducted by independent specialists, Critical Research, between 31 January and 6 February 2023.

About Bibby Financial Services

Bibby Financial Services (BFS) is a leading independent financial services partner to over 8,500 businesses worldwide.

We provide specialist and adaptable trade, asset and working capital finance, FX and insurance services helping businesses to grow in domestic and international markets.

Formed in 1982, BFS is part of the Bibby Line Group (BLG), a diverse and forward-looking family business delivering personal, responsive and flexible customer solutions for over 200 years.

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