



# Hilton-Baird's Late Payment Survey

January 2014



# Introduction

“THE BRITISH economy might be on the mend, but this hasn’t led to any improvement in the crippling problem of late payment in 2013.

“Recent research from Sage Pay suggests that the amount now owed to SMEs in unpaid invoices stands at £55 billion, a remarkable 52% jump from last summer. This means the average business is owed over £11,000. Very few companies that can withstand that sort of cash flow pressure.

“Hilton–Baird Collection Services’ Late Payment Survey therefore aims to find out exactly what impact this is having on businesses across the country, and the steps they are taking to protect themselves against it.

“Now in its fourth year, this latest research is arguably the most striking yet and also explores whether the business owners and finance directors questioned believe recent calls to fine late payers have the potential to stop late payment.

“We hope that you find this research interesting and insightful. Any comments or suggestions would be gratefully received.

“Finally, we would like to sincerely thank each of the respondents for taking the time to share their experiences. Your answers are extremely helpful and have made this research all the more compelling.

“Thank you.”

**Alex Hilton–Baird**  
**Managing Director**  
**Hilton–Baird Collection Services**

# Background to research

HILTON–BAIRD Collection Services' Late Payment Survey questioned 361 business owners and finance directors about a range of topics surrounding their ongoing experiences with getting paid on time.

The respondents came from businesses from a range of sectors, regions and sizes in order to provide a representative sample of the UK's SMEs.

Conducted in January 2014, this latest study represents our fourth wave of research:

- Wave 1: July 2011
- Wave 2: January 2012
- Wave 3: January 2013
- Wave 4: January 2014

The results demonstrate how late payment continues to impact the performance of SMEs in the current climate and the steps businesses are taking to safeguard their cash flows from its effects.

# Key findings

**A STAGGERING 88% of British businesses were affected by late payment in one way or another in 2013, underlining the sheer gravity of the problem that continues to plague the vast majority of companies.**

While three quarters of respondents had to invest more time into chasing unpaid invoices, almost half were forced to delay payment to their own suppliers and one in three driven to increase borrowing.

A worrying 26% now classify more than 10% of their debtor book as over 90 days old, with one in ten having to write off more than 5% of their turnover as uncollectable in 2013.

It's little surprise, with the research finding that businesses were waiting an average of nearly 22 days beyond agreed credit terms to be paid by their customers – this despite average credit terms being reduced from 32 days to 30 on an annual basis.

The most common late payment excuse made by customers was a tie between those waiting for

payment from their own customers, and those waiting for payment authorisation from a manager.

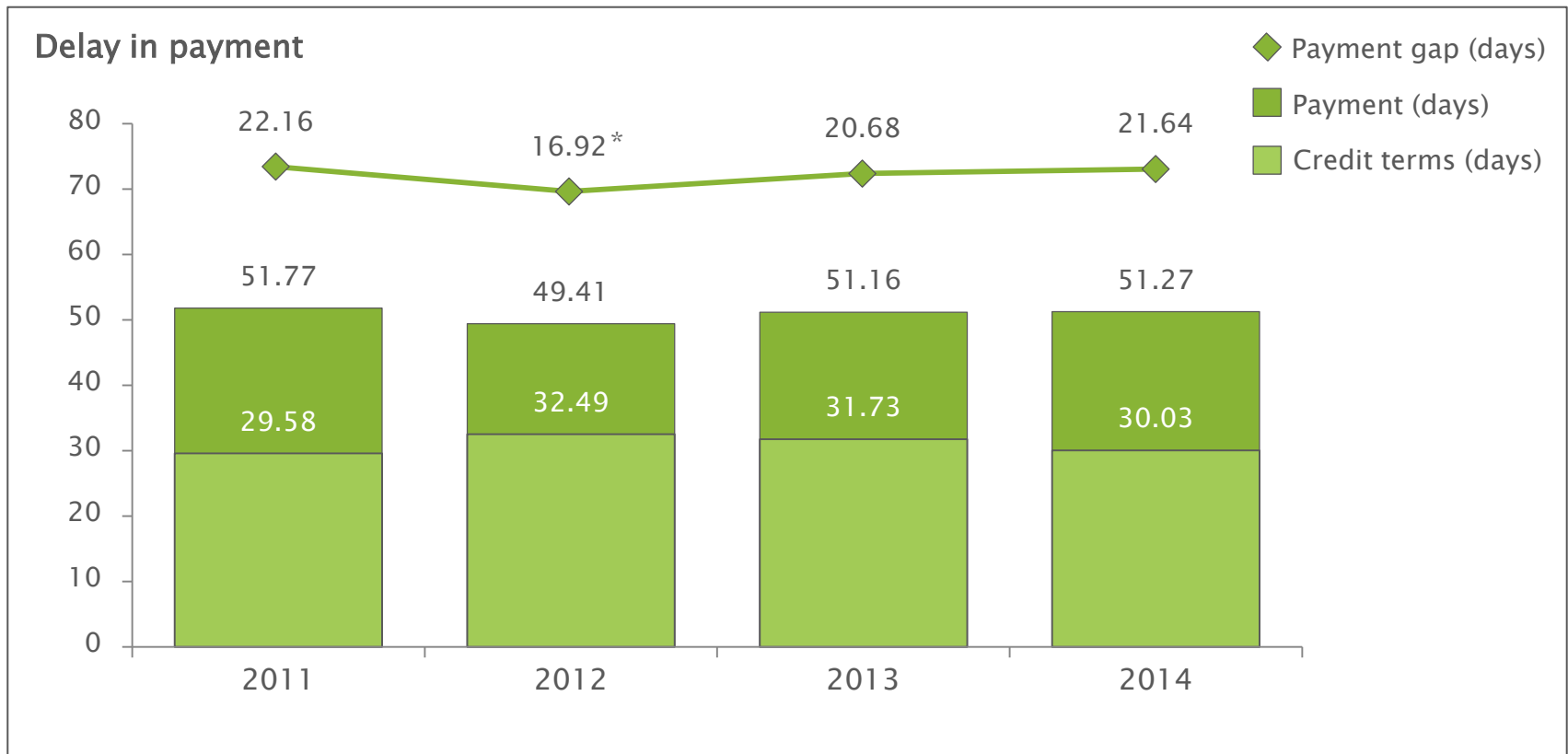
Encouragingly, there were widespread rises in the proportion of respondents using a range of credit management strategies to protect themselves against late payment. While 75% use regular reminders, more than half suspend work or services and credit check new customers.

The proportion of businesses outsourcing all or part of their credit control also increased in 2013 to the highest level since our survey began, as businesses increasingly recognise the benefits of employing experts to manage this vital process.

Meanwhile, just one in three believe proposals to fine offenders is a viable way of deterring customers from paying late. The majority, 55%, don't believe it would have any impact.

# Delay in payment

Businesses are having to wait longer to be paid by their customers than they were at any point over the past two-and-a-half years, despite the fact average credit terms were reduced for the second successive year.



Base (Credit terms): 1,362 (all answering question 1)

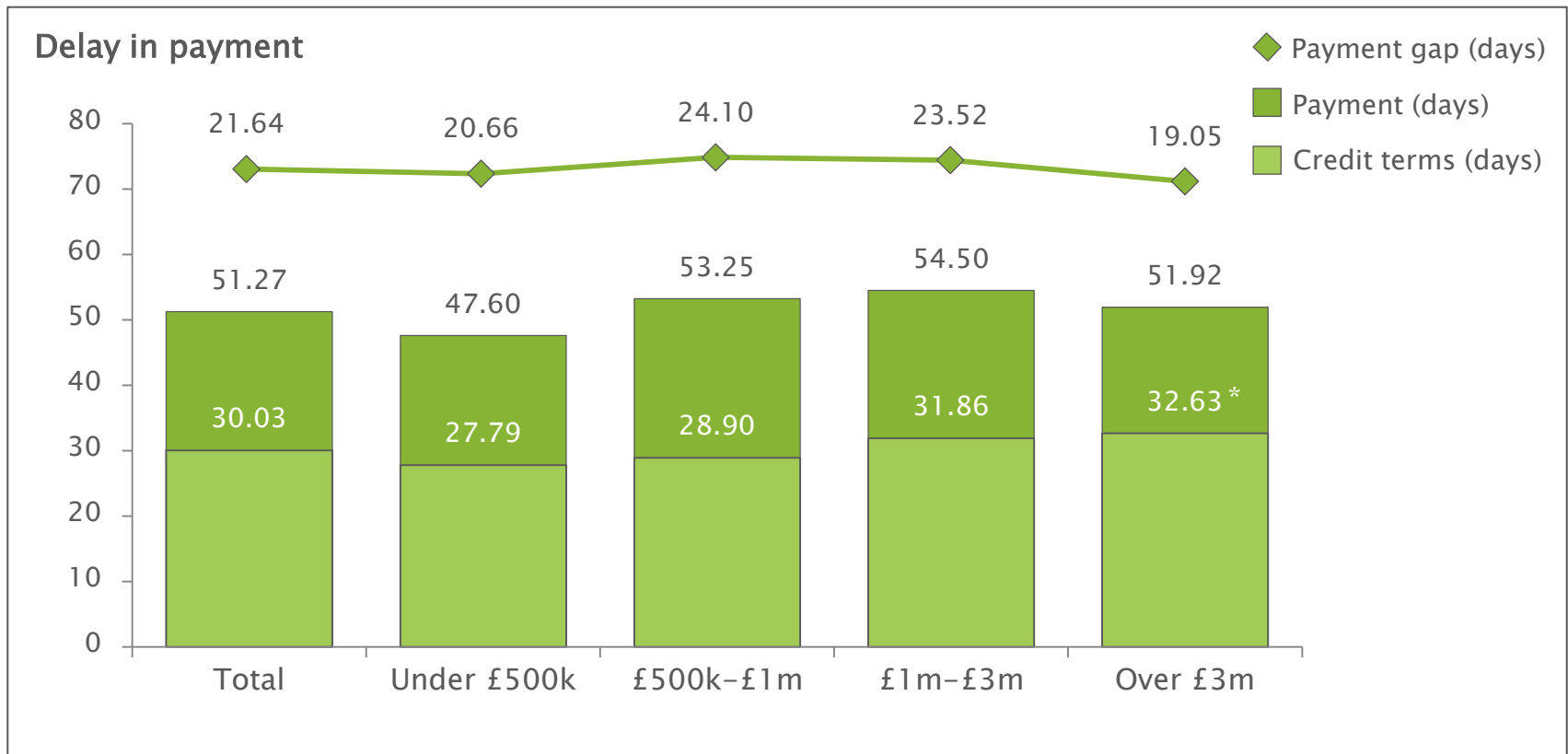
Base (Payment): 1,173 (all answering question 2)

Base (Payment gap): 1,120 (all answering questions 1 & 2)

\* Significantly different from the total score at 1% significance

# Delay in payment by turnover

Businesses with a turnover of between £500,000 and £1m are experiencing the longest payment delay, with customers taking an average of 24 days to pay beyond agreed terms. The largest firms, those with a turnover in excess of £3m, are experiencing the shortest delay.



Base (Credit terms): 361 (all answering question 1)

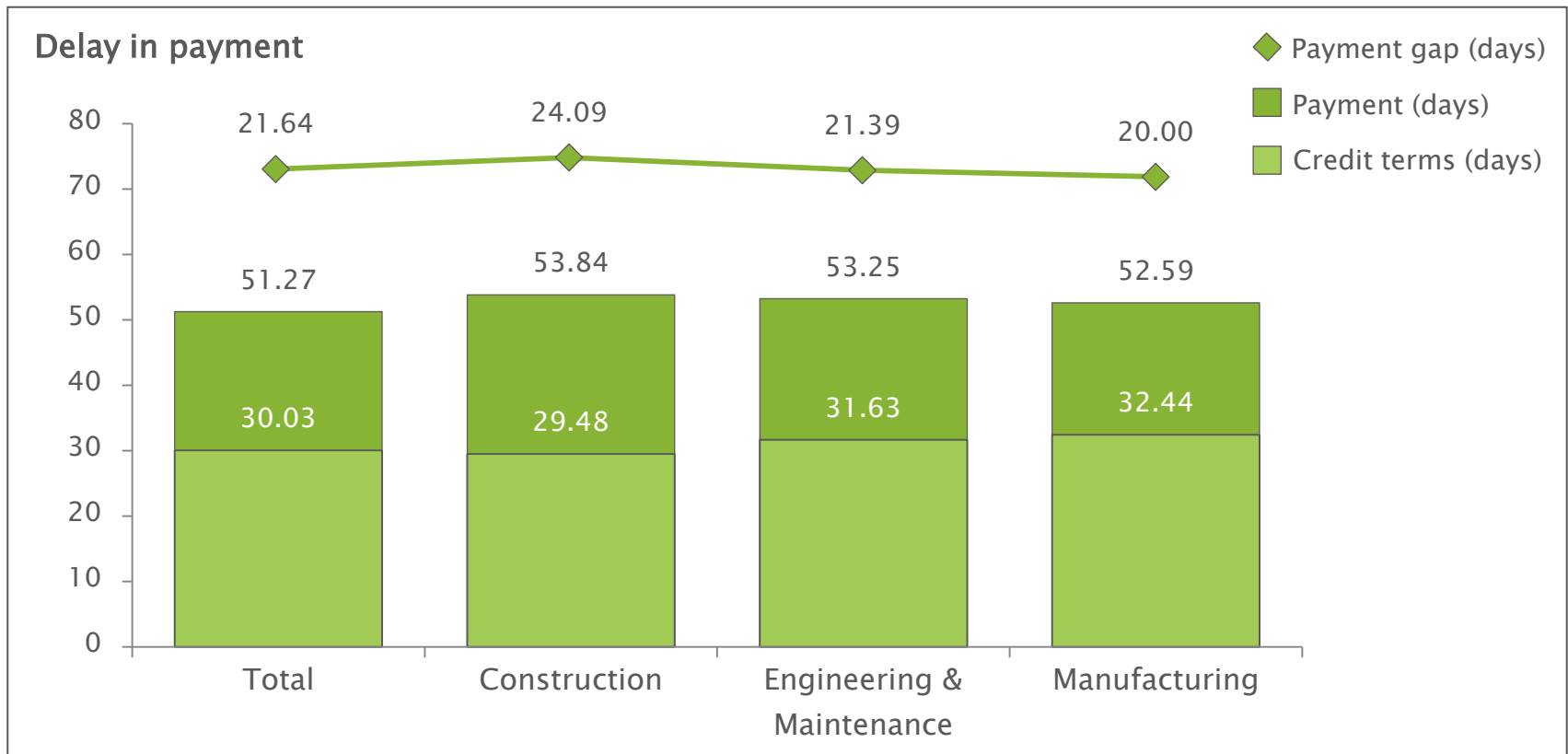
Base (Payment): 327 (all answering question 2)

Base (Payment gap): 303 (all answering questions 1 & 2)

\* Significantly different from the total score at 1% significance

# Delay in payment by sector

Businesses in the construction sector are suffering the longest payment delays of any sector, at 24 days. Manufacturing firms are benefiting from the shortest average payment delays.



Base (Credit terms): 361 (all answering question 1)

Base (Payment): 327 (all answering question 2)

Base (Payment gap): 303 (all answering questions 1 & 2)

# Delay in payment by region

Businesses based in London continue to experience the longest payment delays in the country, with customers paying on average 24 days beyond agreed terms. Companies in the south of England are being paid the soonest, but still more than 20 days late.



Base (Credit terms): 361 (all answering question 1)

Base (Payment): 327 (all answering question 2)

Base (Payment gap): 303 (all answering questions 1 & 2)



# Impact on the business

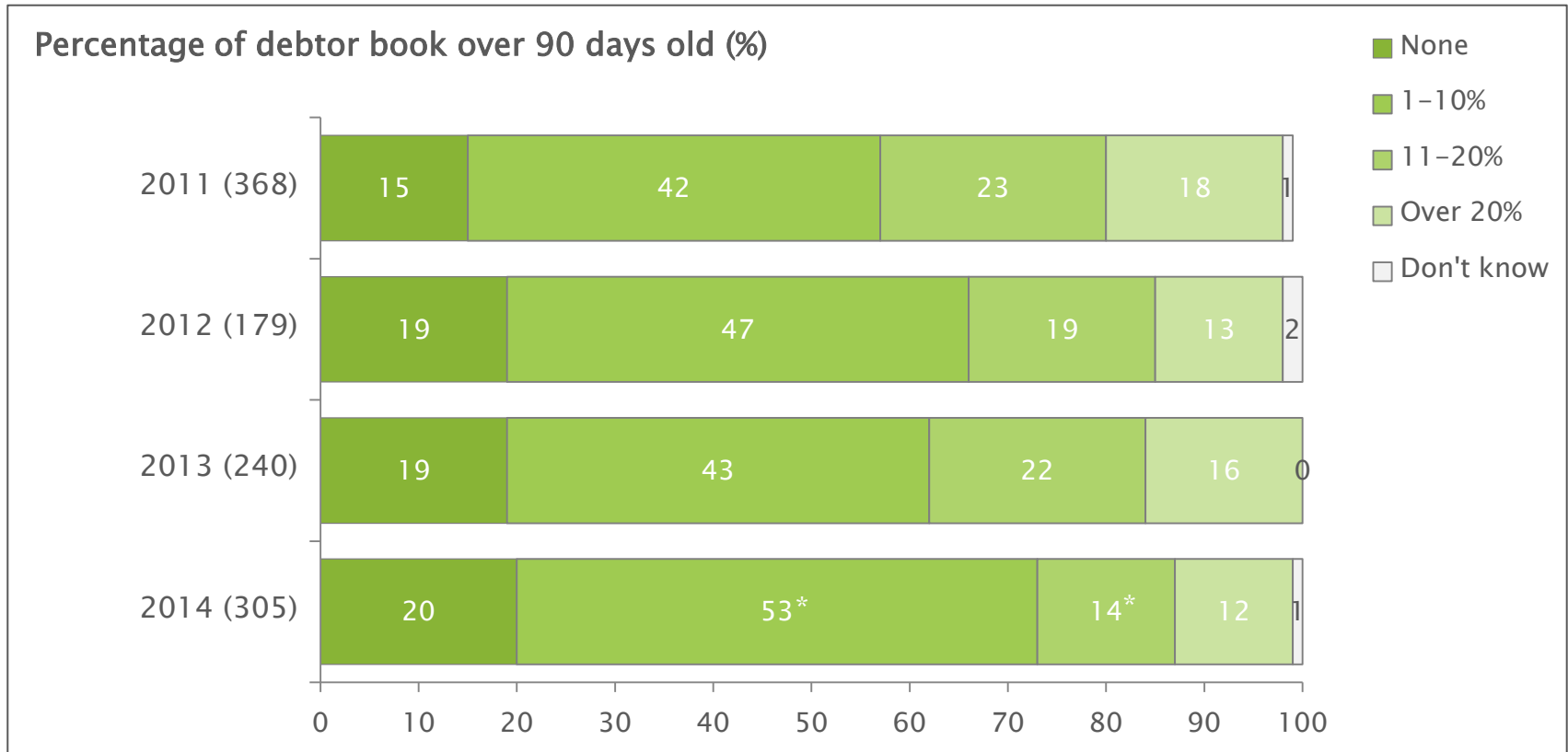
The impact of late payment on UK businesses has increased over the past 12 months. Just 12% indicated it is having no effect on them, with three in four having to invest more time into chasing invoices and almost half paying suppliers later in a damaging knock-on effect.

Biggest impact of late payment on the business (%)	2013 (244)	2014 (307)	Difference
Spend more time chasing invoices	73	75	↑
Pay your suppliers later	48	49	↑
Increase borrowing (including credit cards)	29	32	↑
Pay HM Revenue & Customs later	18	19	↑
Turn away new business	7	9	↑
Employ more credit control staff	8	7	↓
Reduce staff working hours / shifts	5	7	↑
Make redundancies	6	6	↔
Employ an external provider of credit control services	5	6	↑
No effect on the business	16	12	↓
Our customers always pay on time	2	3	↑

Base: 551 (all)

# Age of debtor book

There was a significant annual increase in the proportion of businesses classifying 1–10% of their debtor book as over 90 days old. However there was a marginal increase in the proportion reporting that none of their book is as old as 90 days.

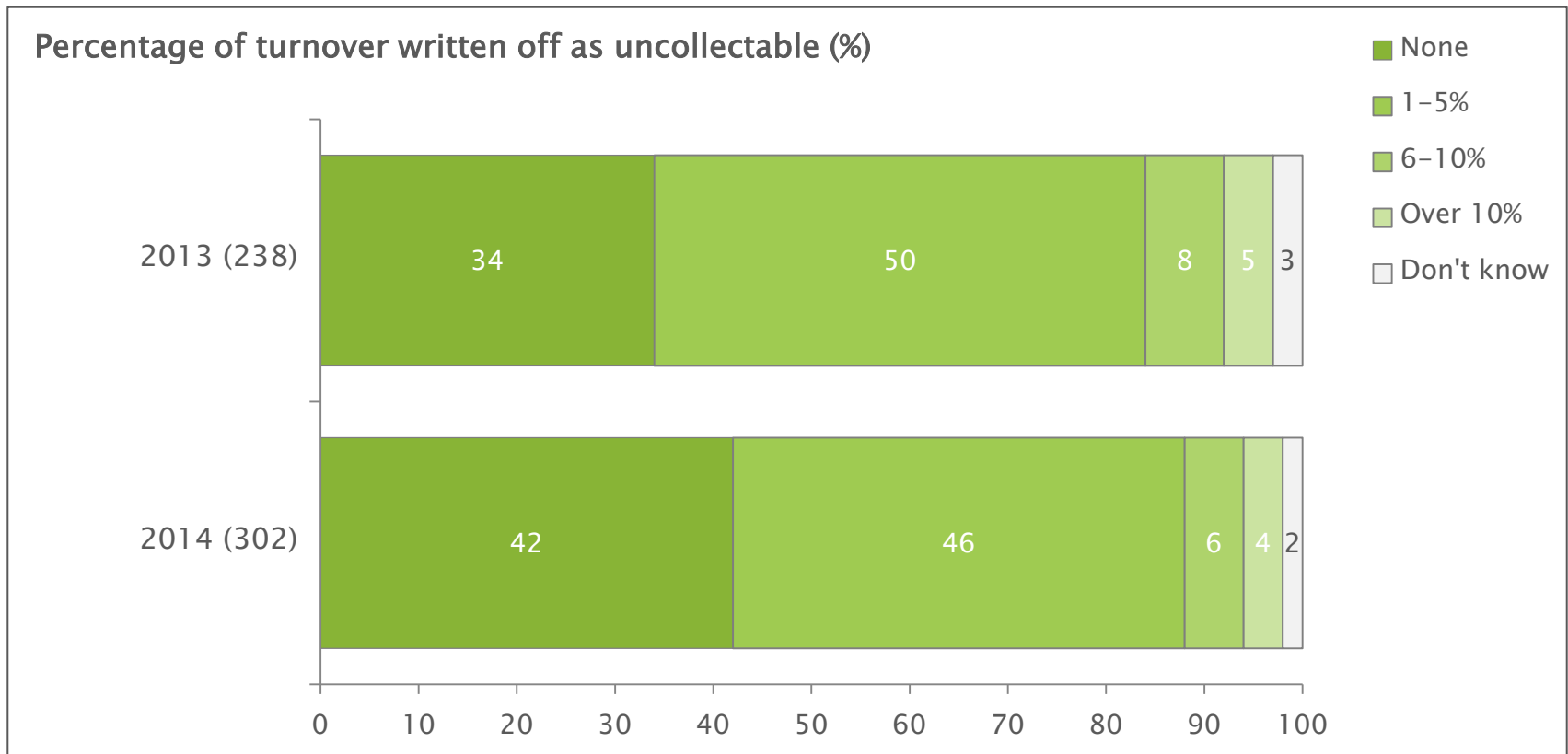


Base: 1,092 (all)

\* Significantly different from the total score at 1% significance

# Uncollectable turnover

There was an encouraging rise in the proportion of businesses reporting that they didn't write off any of their turnover as uncollectable over the past 12 months. Just one in 10 wrote off more than 5% in this period, down from 13% year on year.



Base: 540 (all)

# Most common excuses

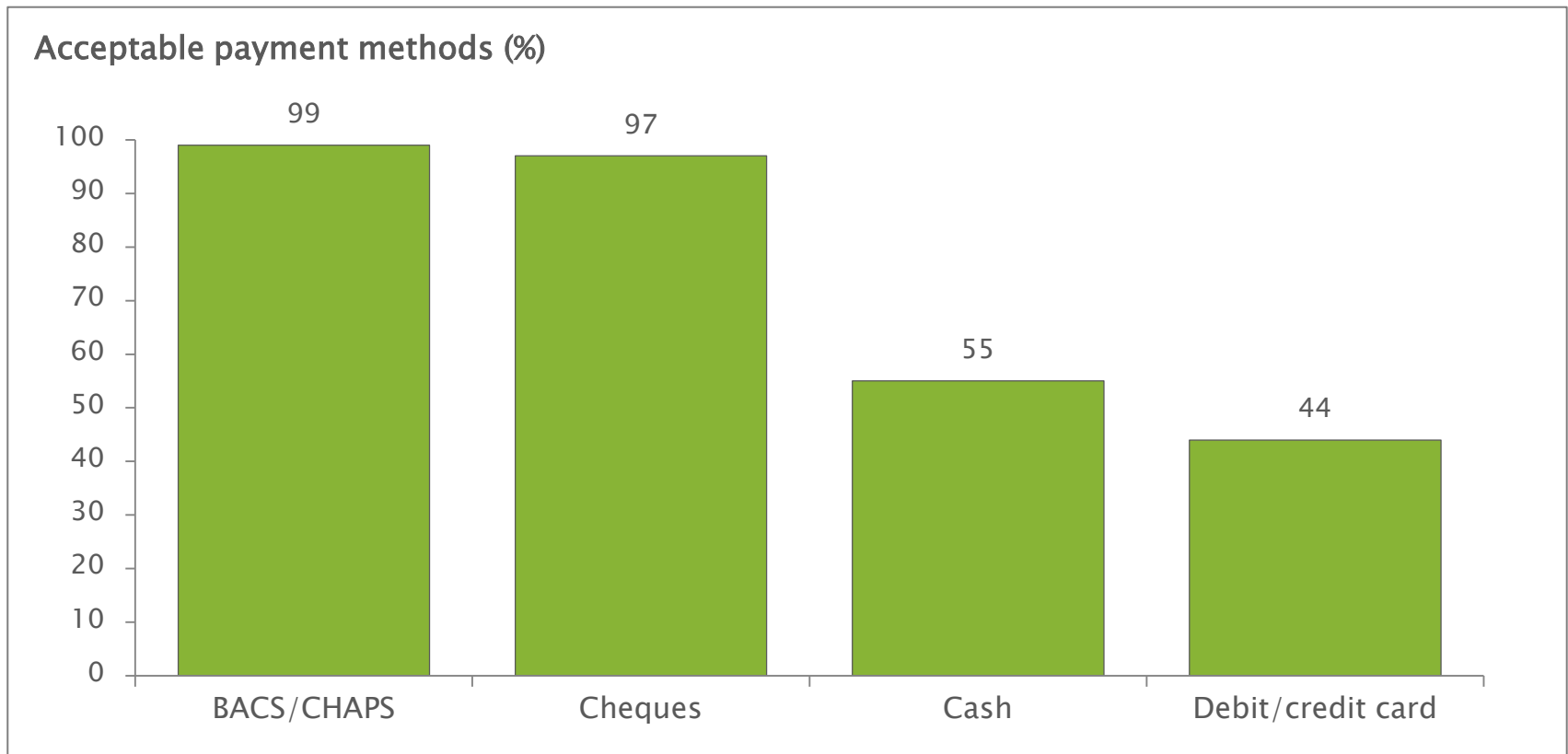
Waiting for payment authorisation is now the joint most common late payment excuse that businesses receive from their customers, level with waiting for payment from their own customers. There were also increases in respondents most commonly seeing customers request a copy invoice and raising disputes.

Single most common reason for late payment (%)	2013 (229)	2014 (298)	Difference
Waiting for payment from their own customers	30	27	↓
Waiting for payment authorisation	23	27	↑
Their terms take precedent	11	10	↓
Copy invoice required	6	10	↑
Can't afford to pay	7	5	↓
Forgot to pay	6	4	↓
Invoice disputed	2	4	↑
Sales didn't notify accounts department of the invoice	4	3	↓
Cheque in the post	3	1	↓
Other	6	3	↓
Our customers always pay on time	2	5	↑

Base: 527 (all)

# Acceptable payment methods

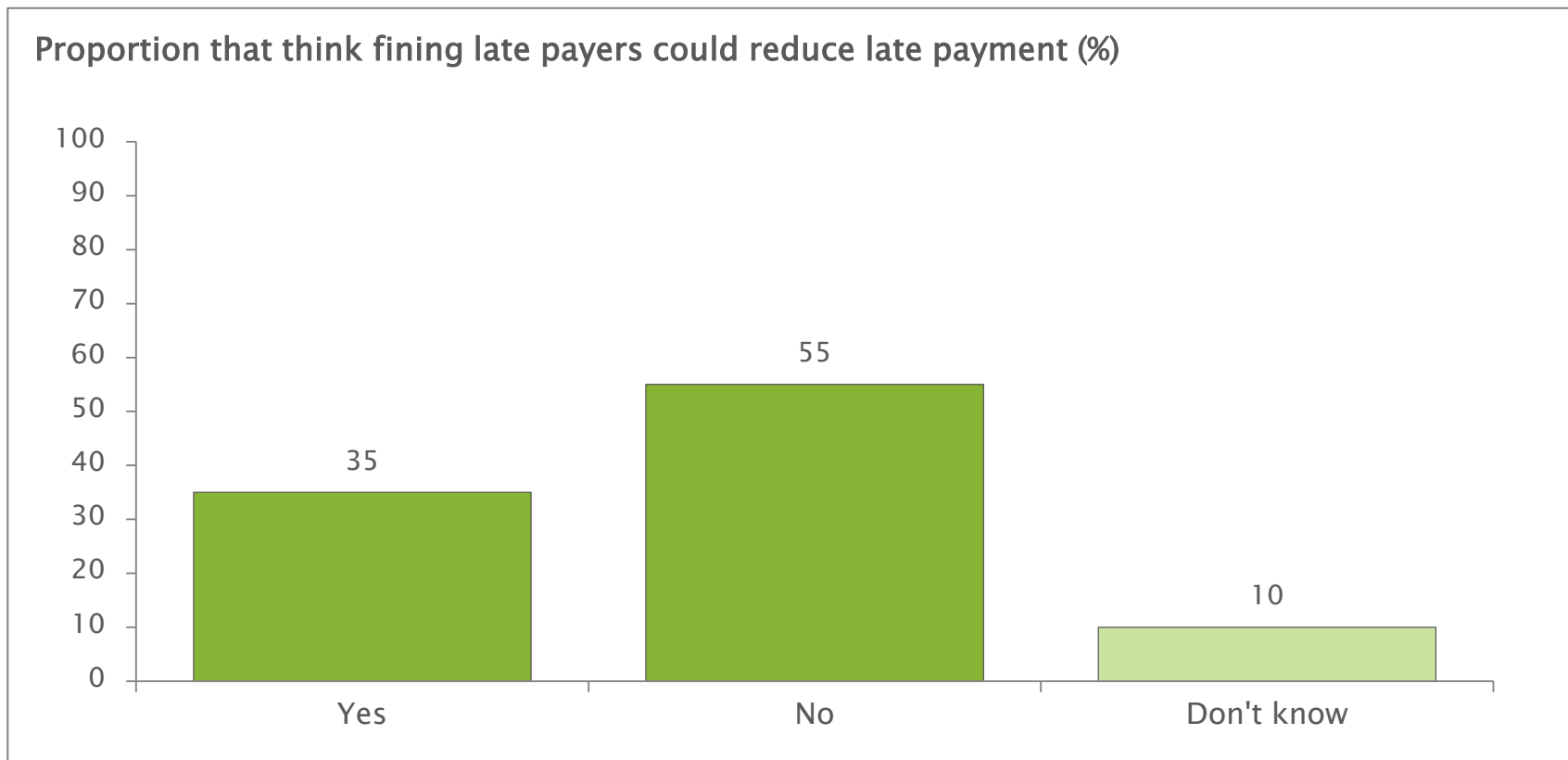
BACS/CHAPS payments and cheques are accepted by the vast majority of businesses in the UK. Over half accept cash as a form of payment, with just 44% accepting payment by debit/credit card.



Base: 298 (all)

# Late payment fines

Just over one in three respondents think that fining late payers has the potential to reduce the problem of late payment. The majority say it won't work.



Base: 297 (all)

# Credit management strategies

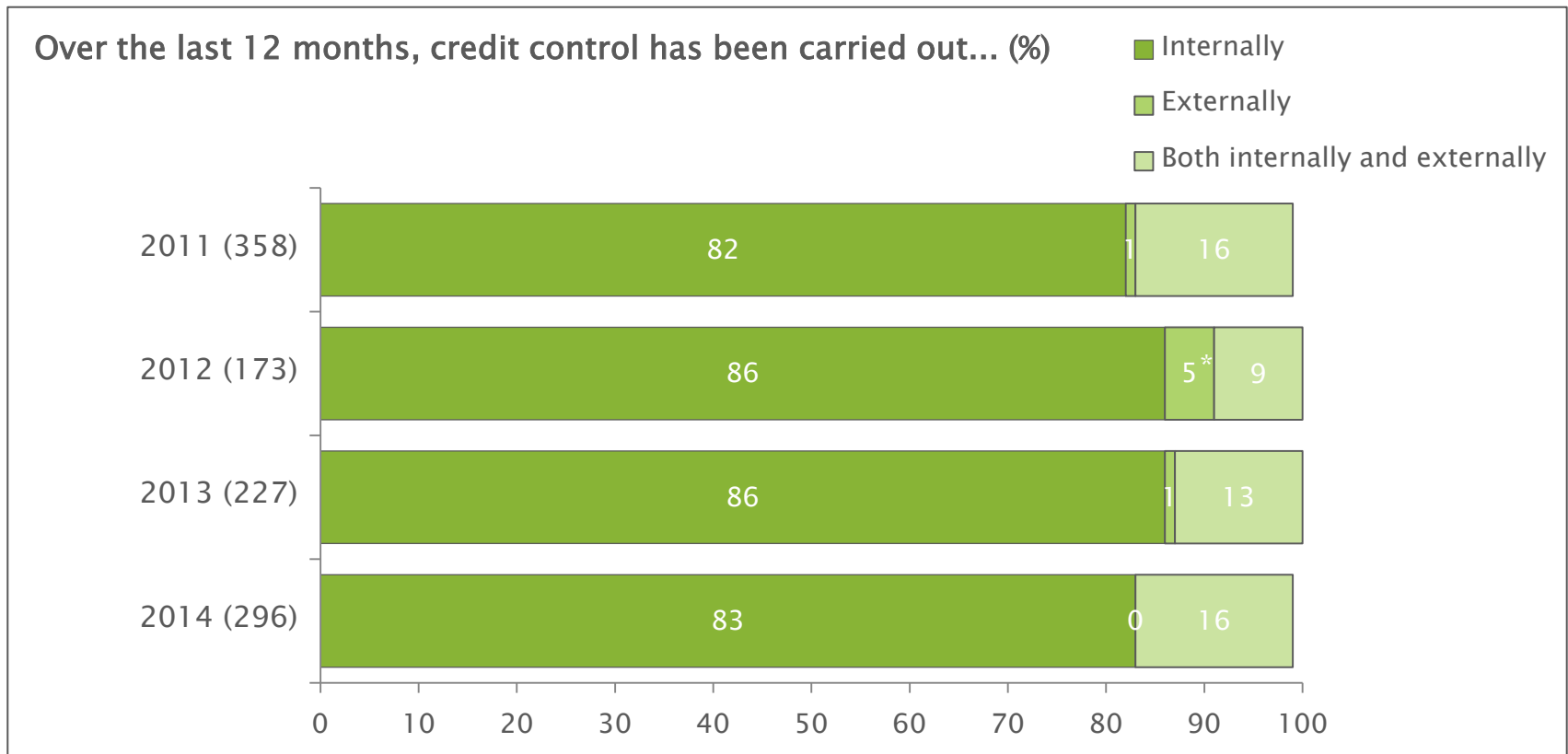
Key credit management strategies currently employed (%)	2013 (221)	2014 (284)	Difference
Constant reminding (phone / email)	68	75	↑
Suspending work / services	54	56	↑
New customer credit checks	48	54	↑
Suspending customer credit facilities	45	50	↑
Writing to debtors, including solicitor involvement	47	44	↓
Small Claims Court / County Court Judgments	31	33	↑
Regular existing customer credit checks	29	29	↔
Visiting debtors in person	30	27	↓
Interest on late payment / Fixed late payment charges	25	18*	↓
Written credit policy	16	17	↑
Early settlement discounts	11	16	↑
Inclusion of debt collection costs in T&Cs	15	15	↔
Factoring	16	12	↓
Credit protection insurance	9	9	↔
Inclusion of Personal Guarantees in T&Cs	5	6	↑
Goods repossession	8	5	↓
Outsourcing	4	3	↓

Base: 505 (all)

\* Significantly different from the total score at 1% significance

# Credit control function

The proportion of businesses outsourcing all or part of their credit control function is now at its highest level since our survey began as companies seek support with getting paid on time.



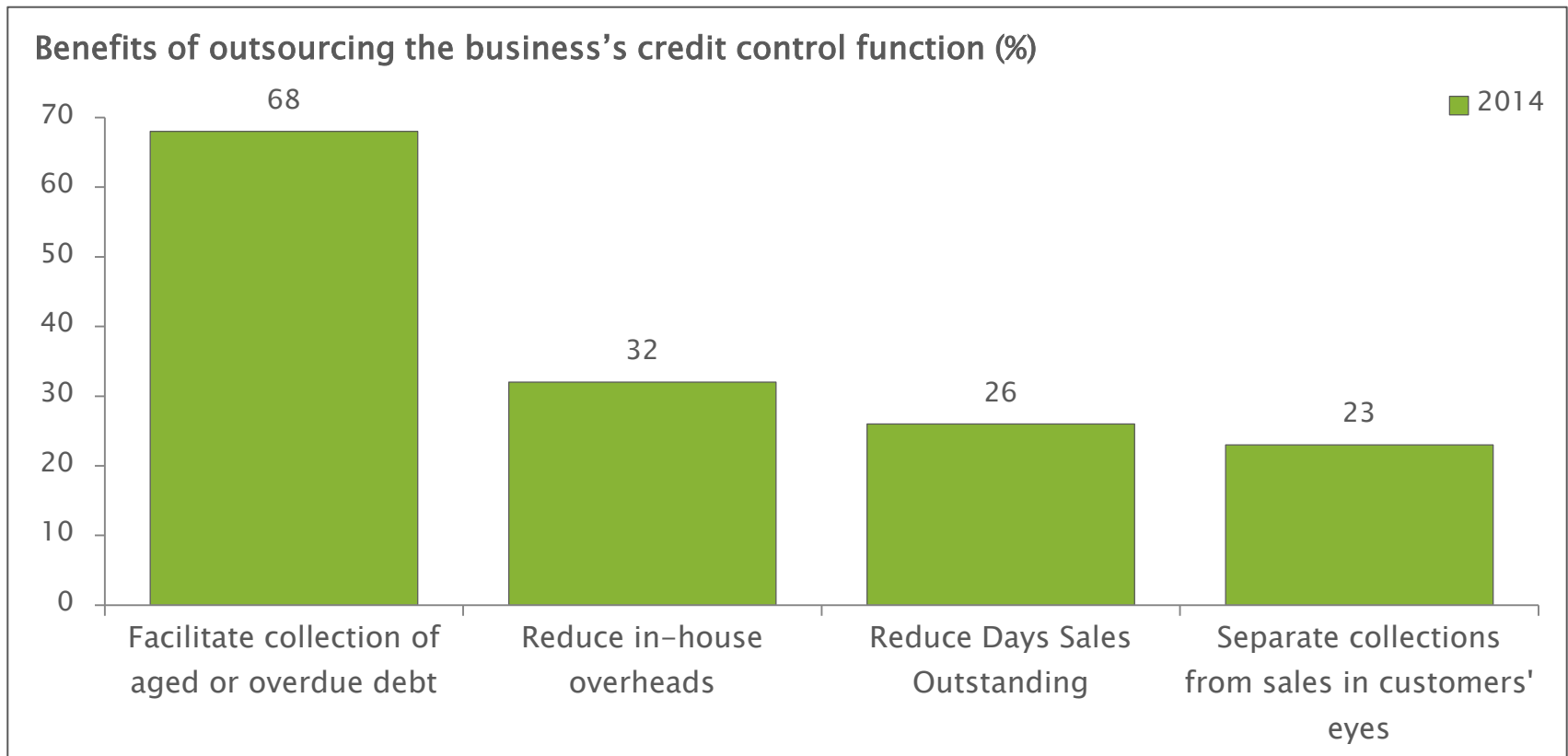
Base: 1,054 (all)

\* Significantly different from the total score at 1% significance



# Outsourcing benefits

More than two in three of the businesses that outsource all or part of their credit control function say that the key benefit of doing so is to facilitate the collection of aged debt. Just one in three do it to reduce in-house overheads.



Base: 31 (all answering 'Externally' or 'Both internally and externally' to Q9)

# Future credit management strategies

Credit management strategies to be considered (%)	2013 (221)	2014 (277)	Difference
Interest on late payment / Fixed late payment charges	27	26	↓
Inclusion of debt collection costs in T&Cs	16	18	↑
Writing to debtors, including solicitor involvement	17	14	↓
Suspending work / services	14	14	↔
Suspending customer credit facilities	19	13	↓
Small Claims Court / County Court Judgments	17	12	↓
Regular existing customer credit checks	14	12	↓
Constant reminding (phone / email)	10	10	↔
Visiting debtors in person	11	9	↓
New customer credit checks	14	8	↓
Written credit policy	14	8	↓
Inclusion of Personal Guarantees in T&Cs	8	8	↔
Goods repossession	6	7	↑
Early settlement discounts	13	6*	↓
Credit protection insurance	8	6	↓
Outsourcing	4	4	↔
Factoring	3	4	↑

Base: 498 (all)

\* Significantly different from the total score at 1% significance

# About Hilton–Baird

AS PART of the Hilton–Baird Group, Hilton–Baird Collection Services is the UK’s leading commercial debt collection agency that serves the UK’s banks, independent lenders and SME and corporate markets.

Established in 2001, we pride ourselves on providing an efficient, professional and trustworthy resource that is ultimately successful.

Our services to the SME and corporate marketplace range from one–off debt recovery to ongoing credit control support that’s tailored to each businesses’ individual requirements, working closely with both clients and their customers in order to bring the right conclusion to often difficult circumstances.

With an experienced, highly skilled and multilingual team, we can assist with our clients’ debt collection requirements no matter which country their debtors lie, working round the clock to ensure we can best surpass all expectations in all of our debt recovery activity.

Memberships and affiliations to the Credit Services Association and R3 (the Association of Business Recovery Professionals) ensures that we maintain the highest standards throughout the collections process and endeavour to provide a friendly and enterprising service at all times.

To find out more about Hilton–Baird Collection Services, visit [www.hiltonbaird.co.uk/cs](http://www.hiltonbaird.co.uk/cs).

Alternatively, please call 02380 707392 or email [collections@hiltonbaird.co.uk](mailto:collections@hiltonbaird.co.uk) to speak to our team today.

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