

Hilton-Baird's Late Payment Survey

July 2011

in conjunction with Credit Today

CreditToday



Introduction

“LATE payment has arguably been the greatest bugbear of the UK economy in post-recessionary Britain, significantly restricting the growth potential of businesses of all sizes who are commonly having to wait beyond agreed credit terms to be paid by their customers.

“Understandably, this is placing a great strain on the cash flows of businesses of all sizes who are having to invest a great deal of time and resource into chasing these invoices, something that Hilton-Baird Collection Services has seen first hand in its role as a commercial debt collection agency servicing the SME and corporate markets.

“Conducted in July, our second Late Payment Survey in conjunction with Credit Today therefore provided the opportunity to gauge how this issue has evolved over the past six months, whilst further providing insight into how UK firms have been coping with the challenges.

“In addition to looking at any perceived shift in the regularity with which customers are failing to pay on time, the study also assesses how long the average business must wait beyond terms to be paid in full.

“We also look at what the biggest repercussions have been on businesses struggling with late payment, whilst additionally asking respondents to specify what measures they are taking to protect their business against this issue.

“I hope that you find this report of interest and we would welcome any feedback you may have on any of the topics raised.

“Thank you to all those who took the time to partake in this survey.”

**Alex Hilton-Baird, Managing Director
Hilton-Baird Collection Services**

Background to research

HILTON-BAIRD Collection Services' research was undertaken among 436 businesses across a wide variety of business sectors, in order to provide a representative sample of the UK's SMEs.

The research was conducted throughout July 2011, with the results demonstrating the considerable pressures that business owners and finance directors are currently facing with regard to late payment.

Key findings

TWO-THIRDS of our survey's respondents have reported an increase in the time it took their customers to pay their invoices during the six months to July (**67%**), with only **5%** reporting a fall.

As a result, businesses are having to wait an average of **22 days** beyond agreed credit terms to be paid in full, with **18%** now classifying more than 20% of their debtor book as more than 90 days old.

Privately owned / limited companies were identified as the worst offenders (by **43%**), followed by corporates / listed companies (**23%**).

One in three said the most common excuse for late payment was that they were waiting for payment by their own customers, with a further **28%** most commonly told that their customers are waiting for payment authorisation.

The biggest impact on respondents' businesses is

that owners must spend more time chasing invoices, as reported by **84%**, with **63%** paying their suppliers later to preserve their own cash flow.

Despite all of these challenges, just **50%** credit check new customers with the suspension of customer credit facilities being the most popular credit management strategy (**53%**). Two in five have also enlisted the help of a Small Claims Court / County Court Judgements (**41%**), with only **27%** charging interest on late payments.

Meanwhile, just **17%** of respondents have outsourced all or part of their credit control function to a specialist debt collection agency – with those that did citing the facilitation of the collection of overdue debts as the primary benefit (**54%**).

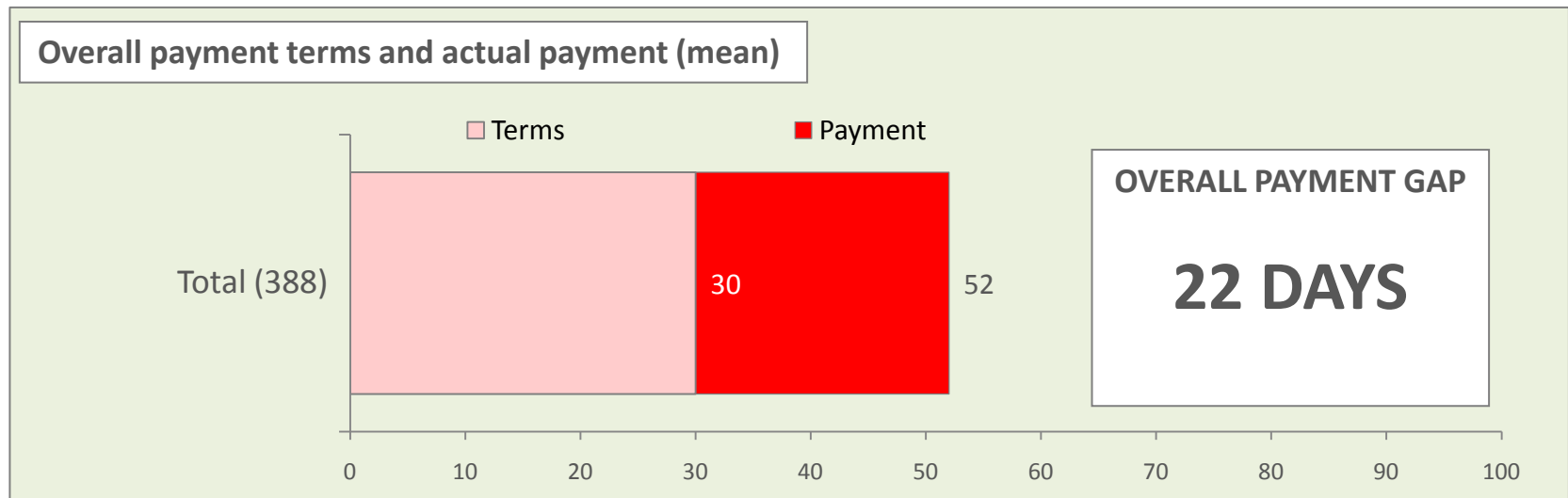
Most worrying of all, however, is that **24%** aren't considering employing any additional credit management strategies in the next six months.

Delay in payment

DESPITE the average business offering credit terms of 30 days, their customers took an average of 52 days to pay their invoices in full during the six months to July.

The result is that UK SMEs are having to wait an average of 22 days beyond agreed credit terms to be paid by their customers.

Only 13% of the total respondents were able to report no delay in the time it takes their customers to pay, with 2% forced to wait more than 60 days beyond terms for payment.



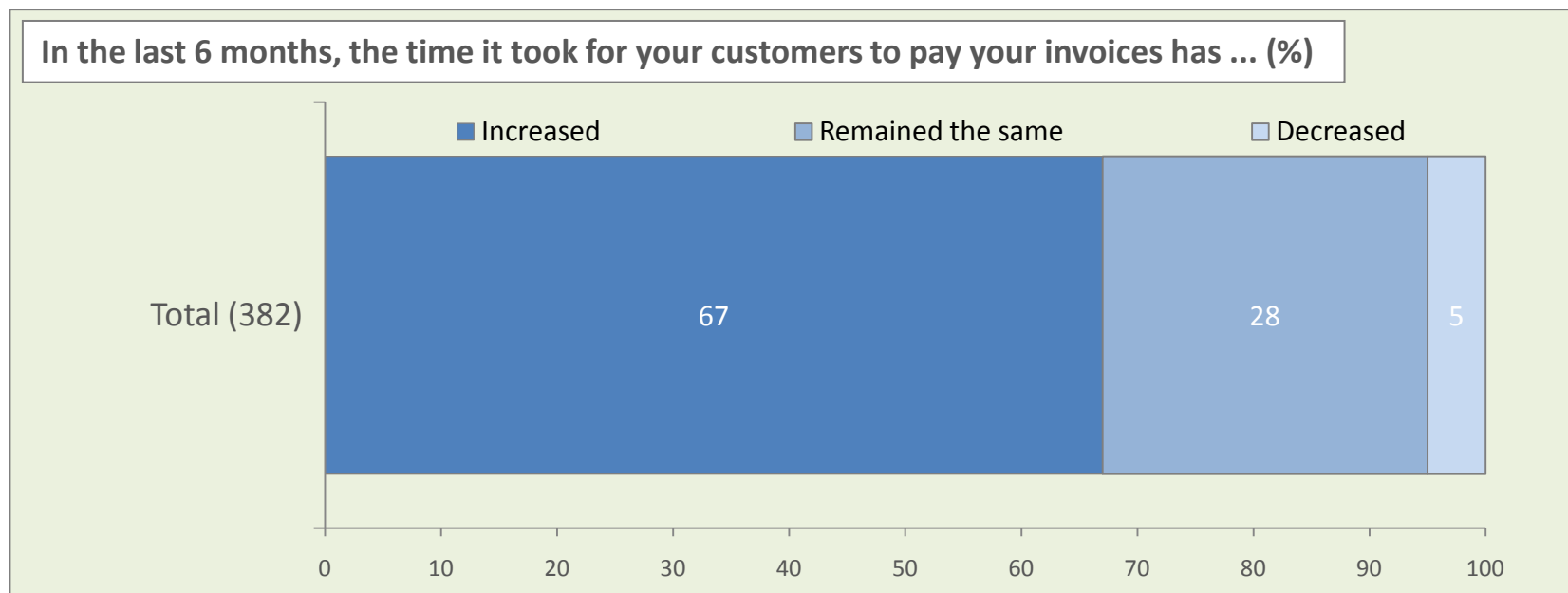
Base: 388 (all)

Payment punctuality

MORE than two-thirds of respondents reported a rise in the time it took their customers to pay invoices during the six months to July (67%).

Conversely, only 5% experienced a fall, with 28% registering no change.

Interestingly, 80% of construction firms reported an increase, with 13% of businesses turning over more than £3 million reporting a decrease.

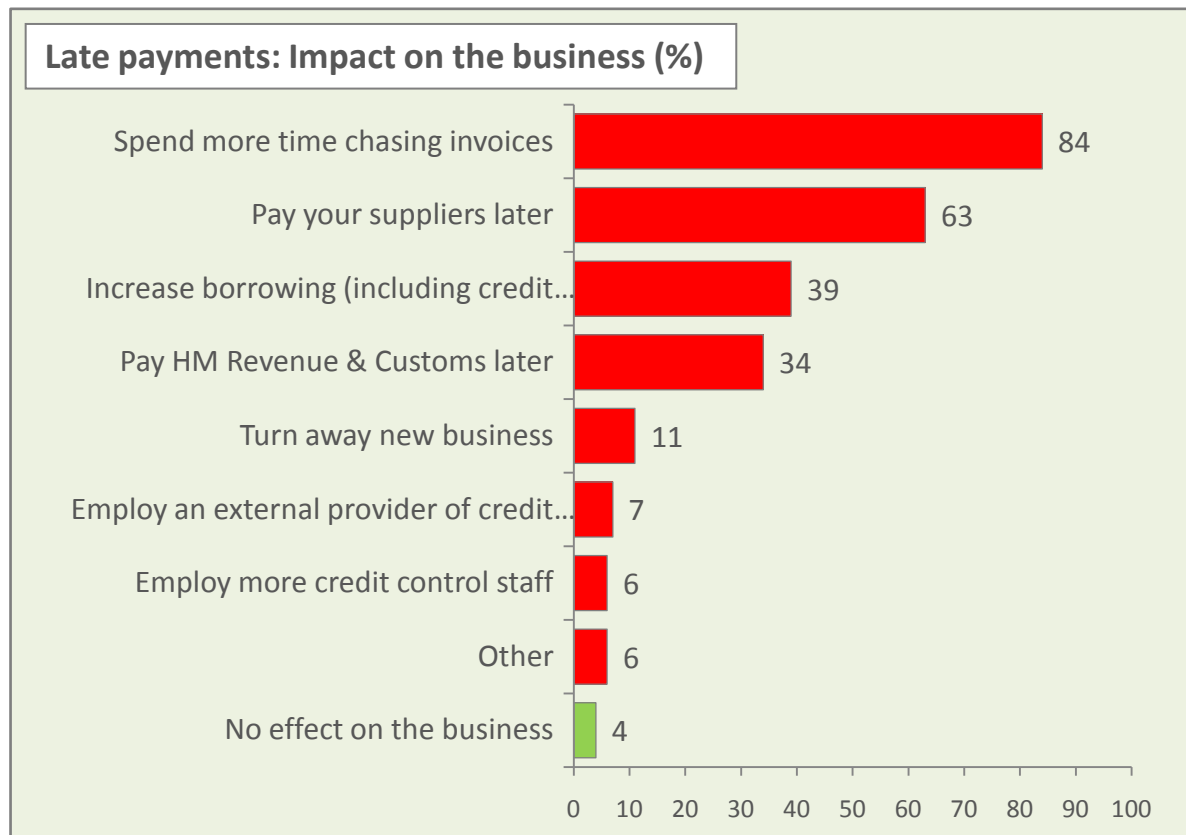


Base: 382 (all)

Late payment impact

PREDICTABLY, the biggest impact of late payment on businesses is that they have to spend more time chasing customers for payment (84%).

However, 63% also admitted to paying suppliers later as a result, creating an unsustainable cycle that could continue for some time to come.

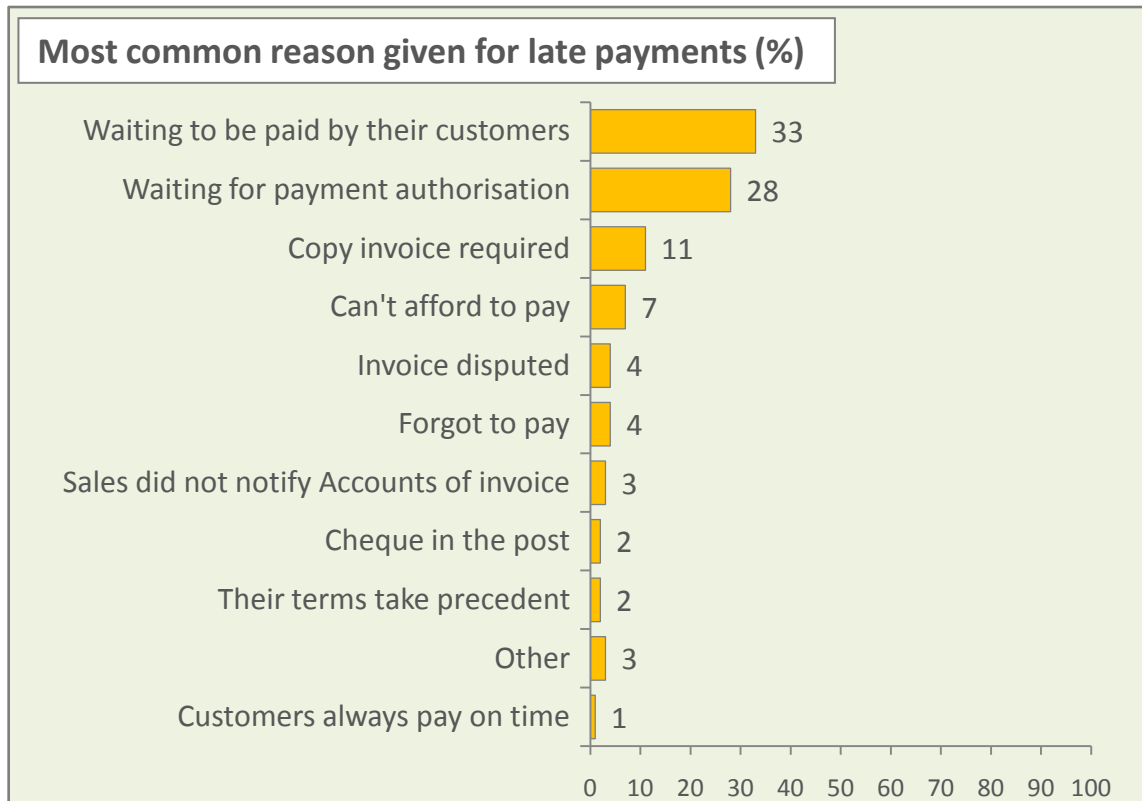


Base: 246 (all who had seen an increase in the time it takes their customers to pay invoices)

Late payment excuses

THE most common excuse for late payment over the six months to July, as reported by our sample, was that customers were waiting to be paid by their own customers (33%).

A further 28% stated that the most common excuse they had come across in that time was that they were waiting for payment authorisation by a more senior person in the business.

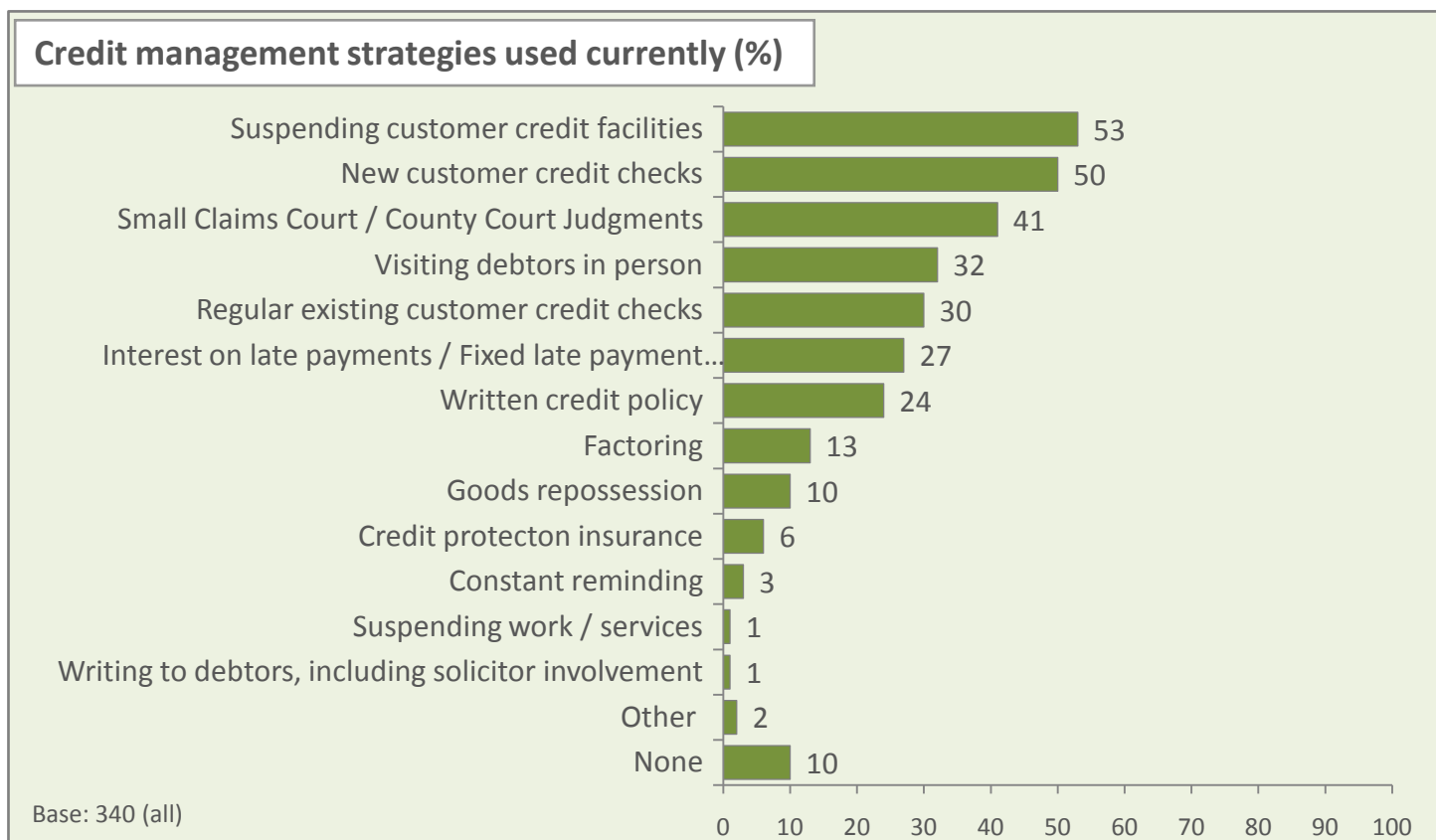


Base: 360 (all)

Credit management strategies

SUSPENDING customer credit facilities was the most common credit management strategy amongst our respondents during the six months to July, used by 53%.

Exactly half credit check new customers, whilst 41% have used Small Claims Courts or County Court Judgments. Just 27% charge late payment interest on overdue invoices.



About Hilton-Baird Collection Services

BELONGING to 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, as demonstrated by our *success-only* pricing policy.

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.

Alternatively, please call 02380 707392 or email collections@hiltonbaird.co.uk to speak to our team today.

Contact details

Hilton-Baird Collection Services
Ashwood House
Ashwood Gardens
Southampton
SO16 7LF

Tel: +44 (0)23 8070 7392

Fax: +44 (0)23 8070 7393

Email: collections@hiltonbaird.co.uk

Website: www.hiltonbaird.co.uk/cs