

Trend Report

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Late Payments and Payment Methods In Small Businesses



fsb⁰⁸ Federation of
Small Businesses

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GoCardless

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Overview

Size of Business	%
0 Employees	32%
1-5 Employees	41%
6-10 Employees	12%
11-20 Employees	8%
21-50 Employees	4%
51+ Employees	3%

Industry Sectors	%
Professional Services	30%
Retail	8%
IT & Software	7%
Manufacturing	7%
Healthcare	5%
Accounting & Financial Services	4%
Hospitality	3%
Food & Beverage	3%
Other	33%

GoCardless, a global leader in direct bank payment solutions for businesses, commissioned the Federation of Small Businesses (FSB) to investigate the challenges posed by late payments on small businesses and the self-employed.

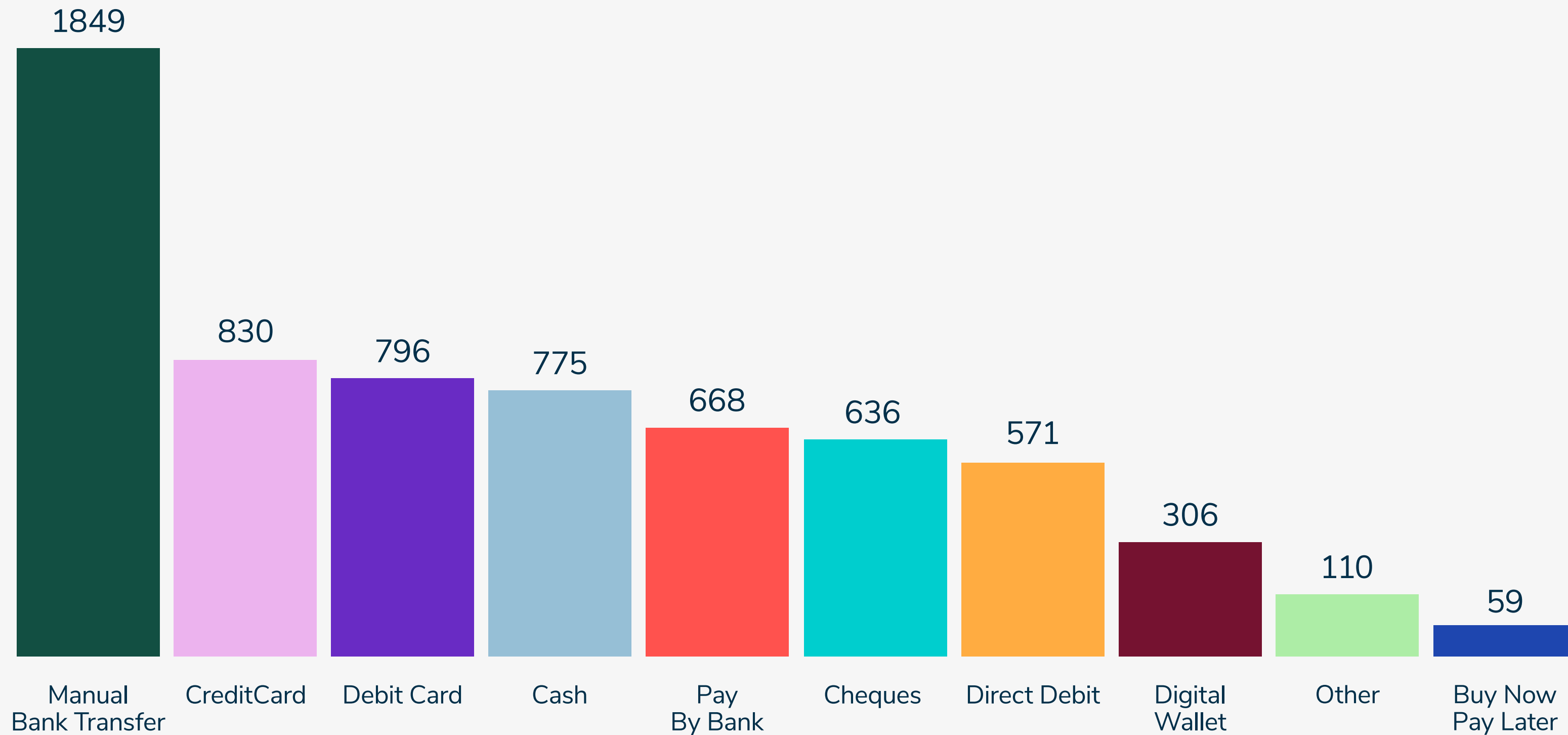
Leveraging FSB's extensive reach into the small business community, the survey captured valuable insights into how late payments affect financial, emotional and operational aspects of running a business.

This report explores how late payments impact cash flow, time, and resources, while examining whether payment method selection plays, or could play, a role in mitigating these challenges.

The survey ran from October to December 2024 and had input from 2,298 responders, representing a diverse audience of small business owners across different sizes of business and industry sectors.

This survey report aims to raise awareness and spark meaningful discussions around the issue of late payments and solutions within the small business community.

Payment Methods in Play



Respondents were asked about the payment methods they currently use to collect customer payments. Manual bank transfers were the most widely used method, selected by 80% of respondents. This was significantly higher than the next most-selected options of credit cards (36%), debit cards (35%) and cash (34%).

Payment methods that are newer by comparison, such as pay by bank, digital wallets and buy now pay later, were found to have lower adoption.

Late Payment Sentiment

50%

agreed that late payments are an inevitable cost of doing business

12%

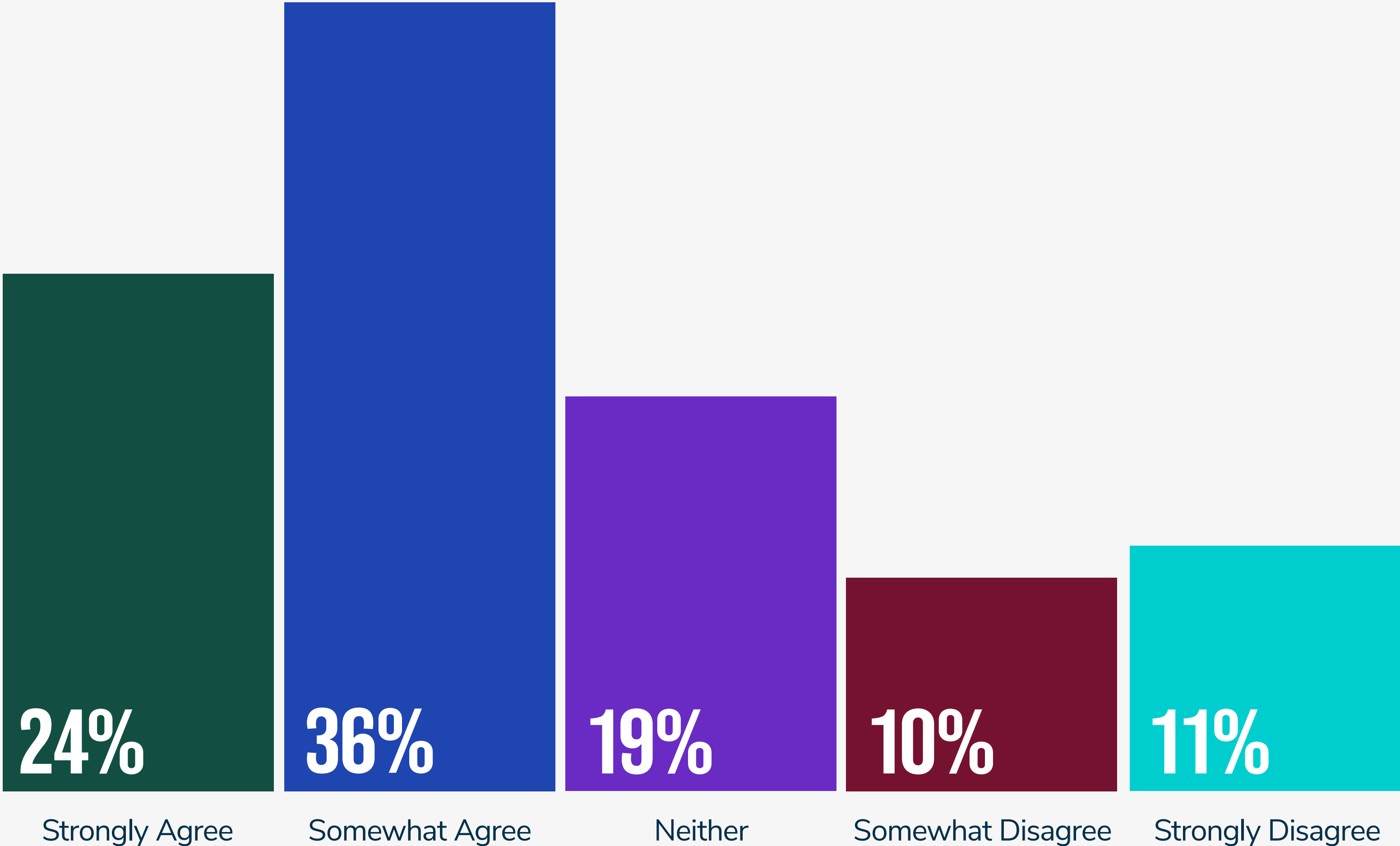
strongly disagreed that late payments are an inevitable cost of doing business

Survey respondents were asked if they perceived late payments as an inevitable cost of doing business, with half answering yes.

Only 12% said that they strongly disagree, indicating that the payment processes and methods the majority of small businesses currently use have consistently resulted in late payments.

If these responses are compared to the payment methods used, this could indicate that the most adopted methods such as manual bank transfers, cards and cash are all susceptible to late payments.

Impact on Business Potential



To find out the extent to which late payments were causing problems for small businesses, we asked about the wider impact they had.

60% of respondents stated they late payments were hindering their business' potential. 38% also shared that compared to just 12 months ago, their business has had to rely more on access to credit as a means to manage their cash flow. 28% had even resorted to using costly, short-term financing or loans to manage cash-flow issues caused by late payments.

Impact on Time & Cost

53%

of respondents are spending up to 1 hour per week managing late payments

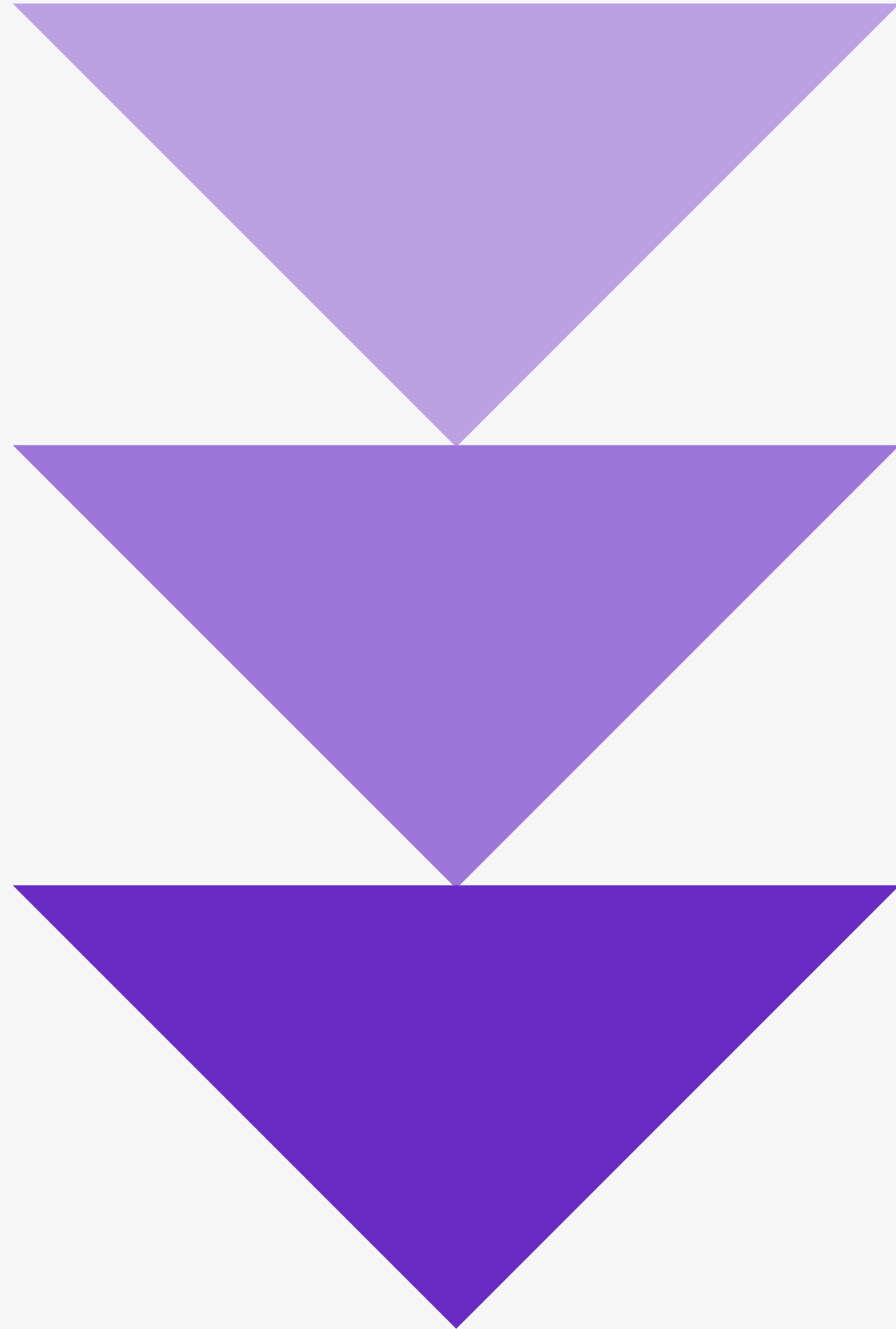
including making phone calls, writing emails, sending letters, visiting in person to applying legal resources. Of concern is the 34% of small business owners spending between 1-4 hours per week on these tasks.

63%

of the surveyed business owners estimate the time and resource costs plus the value of late payments is costing them up to £100 per week.

Taking the £100 per week figure as a conservative average across all respondents, this could be costing a small business £5,200 per year in both time, resource cost and loss of business.

Control Issues



In addition to the majority of respondents perceiving late payments as inevitable, 32% feel they have little to no control over how to manage them. Only 6% of businesses surveyed believe they have full control in navigating their payments.

To better understand where businesses feel the most or least in control, we asked respondents if there was a difference in their level of control vs the size or type of customers they were managing. There was a clear correlation between a lack of control and dealing with customers from big businesses, with half saying they have little or no control at all with this customer type.

Big Business Customers

50% little to no control
10% full or good deal of control

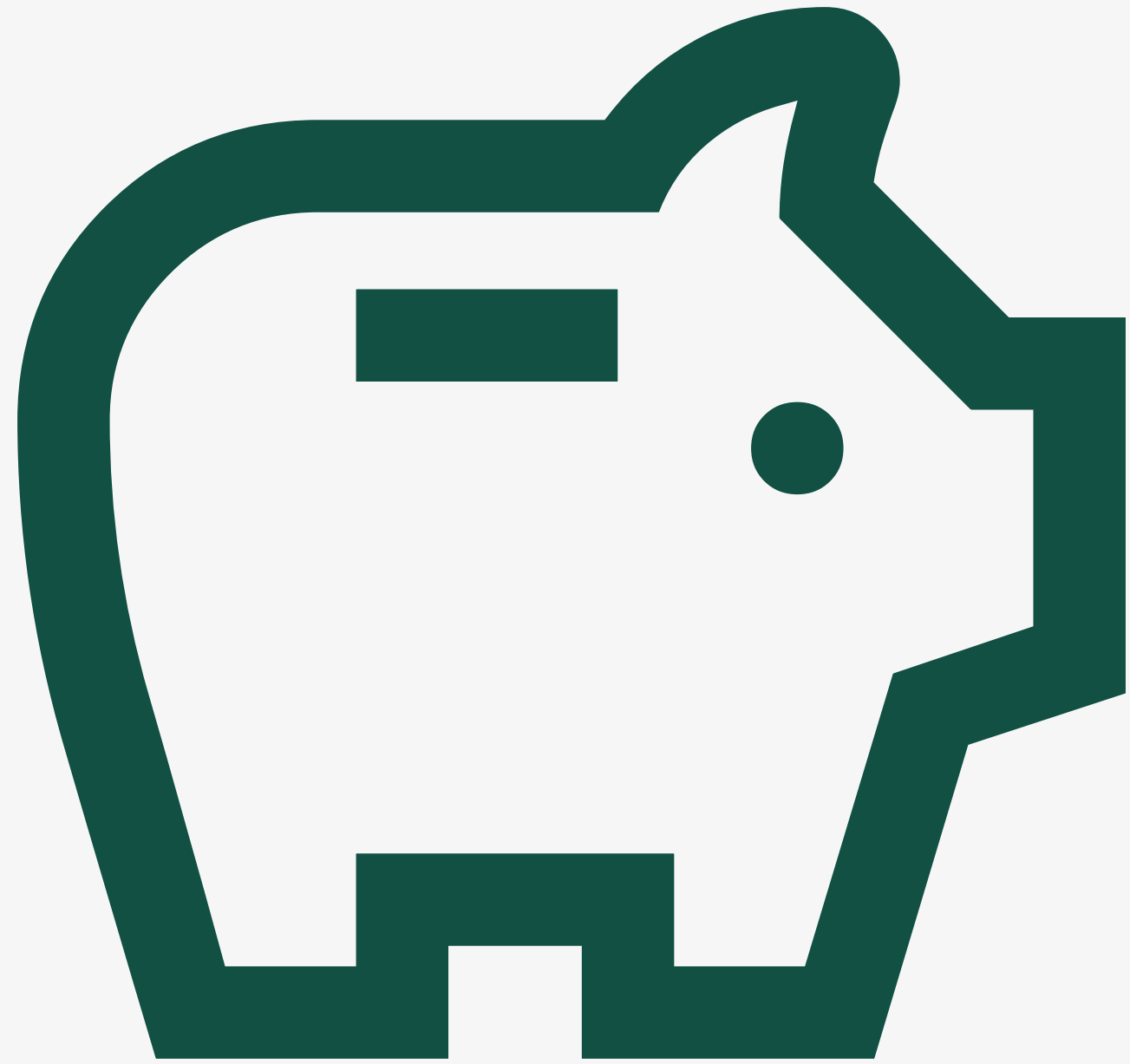
Smaller Business Customers

30% little to no control
24% full or good deal of control

Consumer Customers

26% little to no control
23% full or good deal of control

Measures Taken



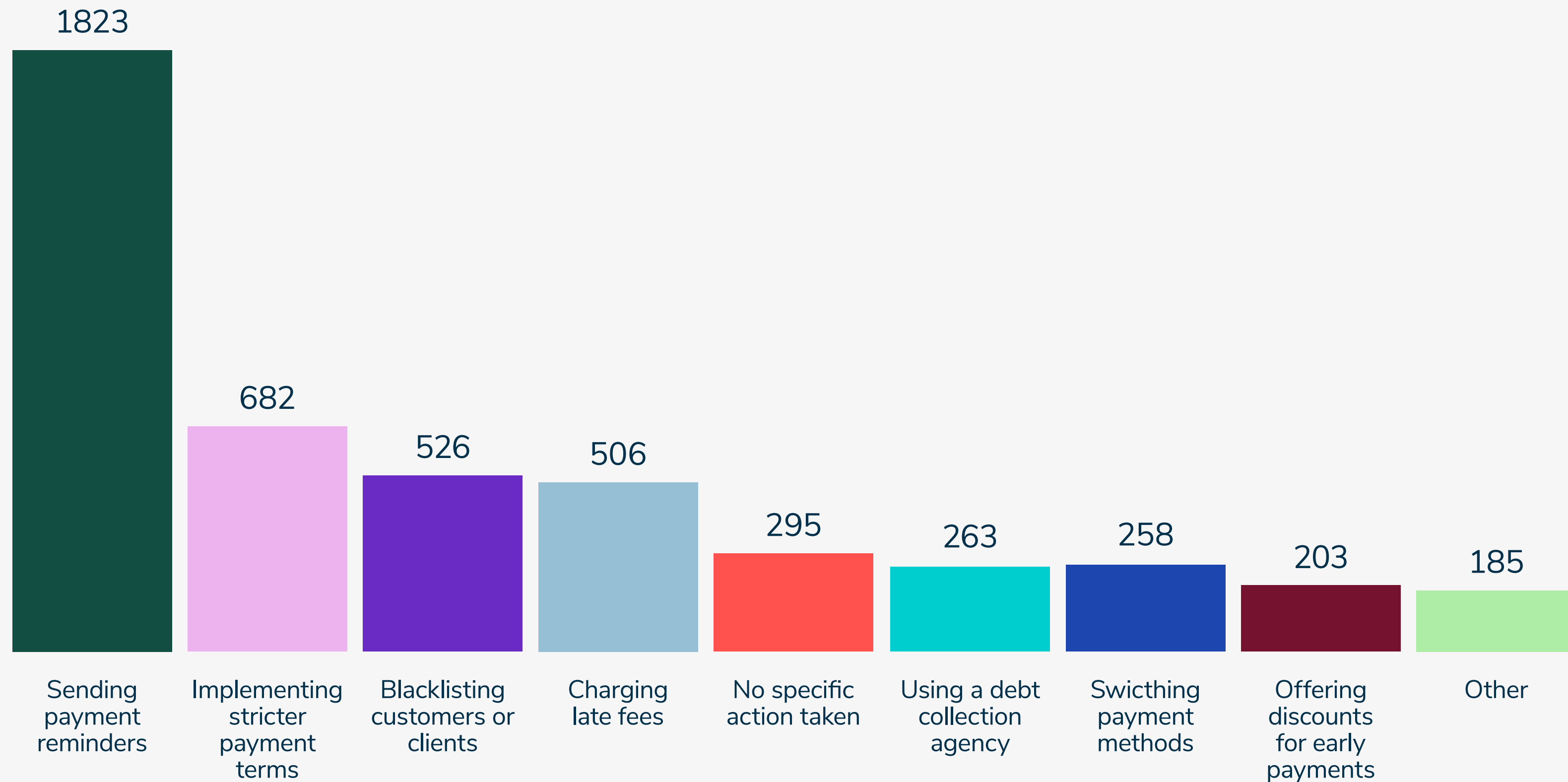
**5% regularly
forefit payments**

We now know that the majority of respondents feel as though managing late payments is outside of their control. However, when asked if they had proactive measures in place to mitigate late payments, over a third said no.

This could indicate that the lack of control is connected to businesses not having the tools or knowledge of what is within their ability vs inevitable.

Worryingly, 5% say they regularly have to forfeit payments so as to avoid the time and cost involved in chasing the monies owed. A further 52% say they forfeit the monies up to 10x a year. It's clear that trying to reduce the impact of a late payment after the fact is viewed as a use of time and money that businesses feel they can't afford.

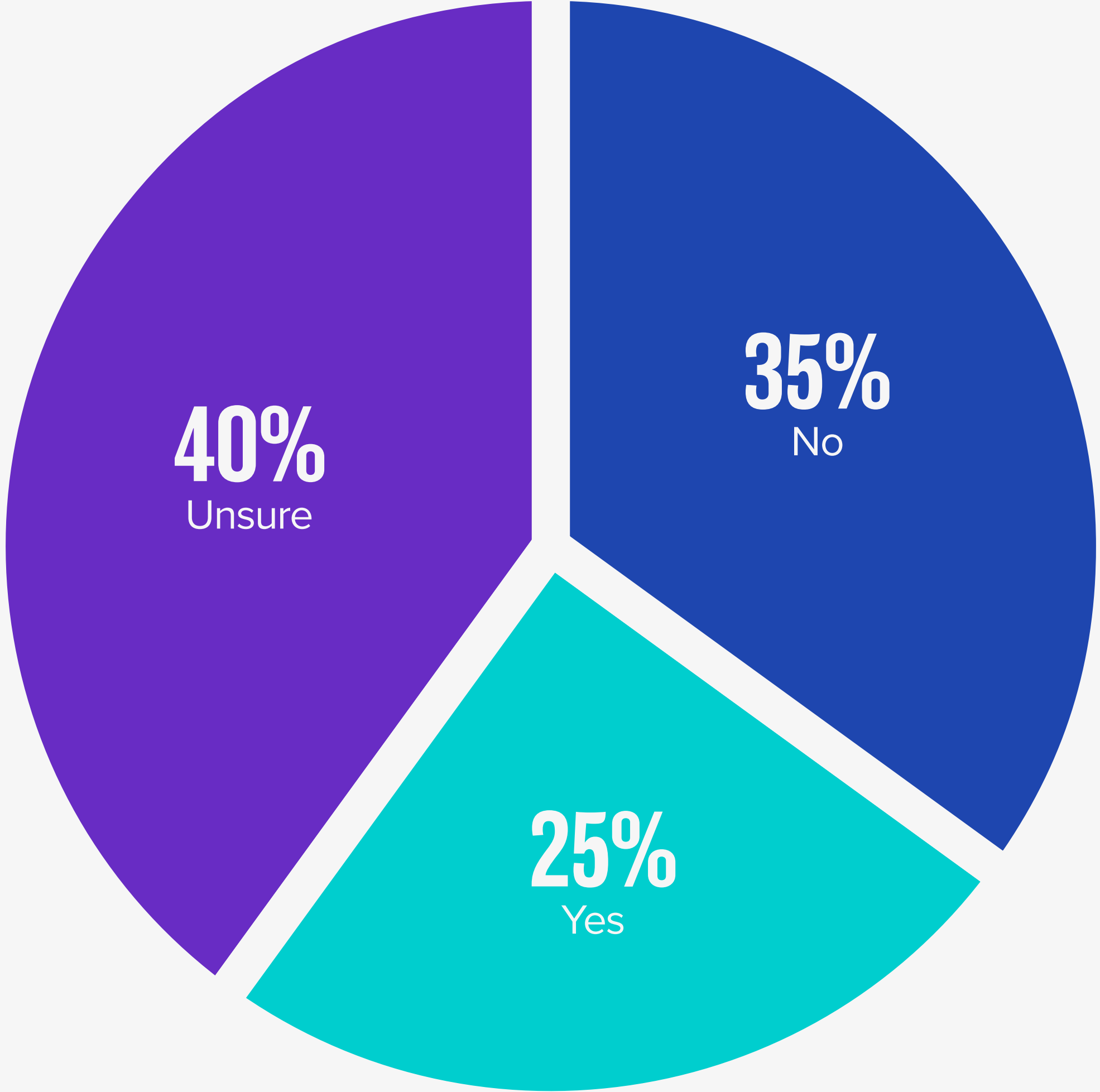
Mitigation Tactics



Respondents were asked what they have already implemented or used to try and mitigate the impact of late payment issues. Sending payment reminders was the top method being used with the implementation of stricter payment terms being employed, coming in second.

“Others” included anecdotal comments of actions taken including court or legal action, taking majority deposits or full payment up front, “downing tools” or withholding stock, negotiation on reduced payment if payment is already late and moving customers to pro forma invoicing for more control.

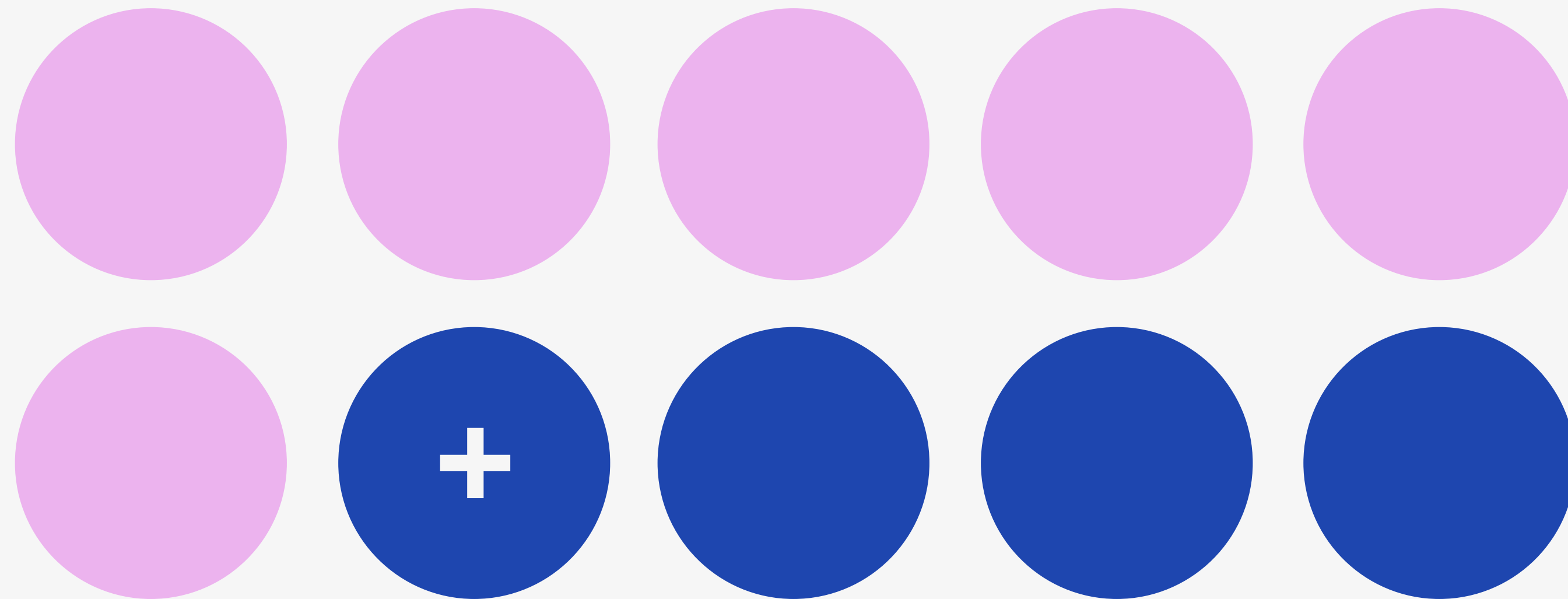
Implementing Change



When asked if they would consider changing their primary payment method in an effort to reduce the risk of late payments- 40% were unsure and 25% agreed that yes, they would.

The question was then re-framed to ask if they would consider alternative payment methods if those methods would reduce their late payment pains. The number of respondents saying yes then increased to 57%, with 19% strongly agreeing that they would be open to different ways to collect payments if they had the certainty attached to lower late payments.

Automated Payments



Respondents were asked how effective they considered automated payment methods, like Direct Debit, to be in reducing the volume of late payments. Using a scale of 1-10, with 1 being not effective and 10 being extremely effective, 40% selected a 6 or higher. 22% selected a 9 or 10, giving it the highest effective rating.

We learnt that 29% did not believe automated payments would be effective for their business model. When we looked further into this, we discovered that the top sectors that associated automated payments with effective payments, the top three were:

- IT & Software **62%**
- Retail **47%**
- Professional Services **42%**

If we refer back to which payment methods respondents currently use, only 24% use automated Direct Debit with 80% using manual bank transfers instead. This raises an interesting question of why so many businesses are unsure of trying automated payments when they currently use manual payments and suffer from late payment issues.

Future Actions

What future actions would you be willing to take to alleviate late payment issues?	Count	%
Charge late fees	1219	53%
Implement stricter payment terms	1159	50%
Regularly follow up on invoices	1100	48%
Change payment methods	765	33%
Automate payment processes	629	27%
Use debt collection services	566	25%
Offering discounts for early payments	303	13%
Partner with a payment provider who can provide education and support on managing payments	154	7%
Other	132	6%

Respondents were asked what actions they would be willing to take in the future to alleviate late payment issues.

Charging late fees and implementing stricter payment terms were the most widely accepted actions, chosen by over half of the respondents. This indicates that most businesses are looking to penalise customers for their late payments. In the anecdotal 'Other' responses, some businesses also said they would withdraw or withhold goods or services. Late payments can occur for a variety of reasons, so stricter payment terms could alter existing customer relationships.

Changing payment methods was a possibility for 33% of the respondents and automating payment processes would be considered by 27%.

Interestingly, using a payment provider who can provide support or education was chosen by just 7% of businesses, below the option of paying to use debt collection services.

GoCardless Summary

Who are GoCardless

GoCardless is a global bank payments company that helps businesses of all sizes to collect automated recurring and instant one-off payments without the chasing, stress or expensive fees. Businesses that use GoCardless successfully collect 97.3% of their payments on the first try.

Through helping over 100,000 businesses collect and manage their payments, we know that late payments can result in time and resources being pulled away from other priorities. Which is stressful. We want to make managing payments as simple as possible, using automated bank payments that you can set and forget, letting the payments come into your account exactly when you expect them to.

Reduce your manual admin

Cut down on manual admin by connecting your existing software to GoCardless, managing your full end-to-end checkout through one place, with one login. GoCardless has integrations with more than 350 software partners, from accounting and bookkeeping tools to booking systems and CMS platforms. The improved visibility of having all information in one place also means you're able to identify late payments or concerns easily.

Feel in control

Say goodbye to awkward chasing and uncomfortable emails by using automated payments that pull payments from your customers' accounts. Plus, direct bank payments have fewer intermediaries compared to card payments, keeping the cost per transaction lower. This means more of each sale goes directly back into your business and the areas you need it most.

You're never too small to think big

Free up your time, improve cashflow and focus on customer relationships by putting the right payment processes in place. [Click here](#) to find out more about GoCardless today.

