



UK
FINANCE

BUSINESS PAYMENTS SURVEY

March 2019



SHORT SUMMARY

As the authoritative source for data on payments in the United Kingdom, UK Finance periodically commissions research into the ways in which UK businesses manage their incoming and outgoing payments. UK Finance's predecessors (Payments UK, the Payments Council and APACS) undertook similar research, most recently in 2012.

This new piece of research provides insights into how business behaviour has changed since 2012, ensuring that our understanding of how businesses manage their payment needs stays up to date, in the context of a changing technological, economic and political background. The fieldwork was conducted on behalf of UK Finance by the independent agency BDRC Continental (www.bdrc-continental.co.uk). The research covered 1,500 businesses of all sizes throughout the whole of the UK.

Key topics covered by the research include:

- The types of banking services used by businesses, including business use of online banking, mobile banking and other technology
- General approach to invoicing, payment terms and payment behaviour
- The methods that businesses use to make their outgoing payments
- The ways in which businesses receive payments from their customers
- Awareness of some types of potential fraud, and steps taken to guard against them

The experiences and choices of different types of businesses can vary greatly. As a result, this report considers separately the experiences of sole traders, micro businesses, small businesses, medium businesses and large businesses.

According to data published by the Department for Business, Energy and Industrial Strategy (BEIS), the structure of the UK economy is as follows:

Size of business	Number of employees	% of all organisations
Sole trader	0 (owner-manager only)	76%
Other micro-business	1-9	20%
Small	10-49	4%
Medium	50-249	0.6%
Large	250+	0.1%

Source: <https://www.gov.uk/government/collections/businesspopulation-estimates>

Banking services used by businesses, including business use of online banking, mobile banking and other technology

Over 40% of sole traders use a personal current account to conduct their business activities. As businesses grow, however, they rapidly transition to using dedicated business current accounts. This pattern of behaviour has not changed significantly over the past five years.

Online and mobile banking

Just under two-thirds of businesses (64%) said that they are registered to use online banking. This was a similar result to 2012 (63%) which reflects the fact that online banking was already well-established at the time of the previous study. Large businesses are more likely to use online banking than their smallest counterparts.

Proportion of businesses using online banking in 2018:



A significant change since 2012, however, has been the growth of mobile banking services using apps for mobile devices (including mobile phones and tablets). The first mobile banking apps were launched in the UK during 2010, but over the past few years they have grown more sophisticated, and the range of activities that can be conducted via mobile banking has increased. As smartphones have become ever more embedded in UK society in general, so the use of mobile banking has increased. The business banking sector is no exception to this change, and in 2018 almost a quarter of businesses (23%) reported that they were registered to use mobile banking for the business.

Technology

The use of computers and access to the internet have shown little change in the past five years, with 88% of businesses having access to a PC, laptop or tablet, and 84% having internet access. However, the use of smartphones for business purposes has become more extensive in recent years.

Proportion of businesses with smartphones:



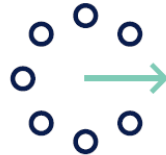
The way in which businesses use technology is also changing. It appears that larger businesses are increasingly seeing value in using social networking as part of their external communications strategy, and indeed many medium and large businesses now employ staff dedicated to managing their social networking presence. In 2018, 63% of large businesses used social networking, up from 35% in 2012.

Approach to invoicing, payment terms and payment behaviour

For businesses of all sizes, the most common experience is that they are requested to pay invoices within 30 days, reflecting standard payment terms. Having said this, smaller businesses are more likely to have agreed to meet shorter payment periods for their suppliers (either within 7 days or within 14 days). On the other hand, larger businesses are more likely to be able to negotiate longer payment periods from their suppliers, likely reflecting their greater commercial negotiating power.

When it comes to paying invoices, 87% of businesses say that they pay most invoices on time. However, this behaviour is not consistent across businesses of all sizes. Whilst 87% of businesses say that they pay the invoices they receive on time, 38% of businesses say that they receive most invoice payments outside of terms. Inevitably, the late payment of invoices, imposition of extended payment terms on suppliers or other poor payment practices, can cause cashflow problems for trading partners, so it is perhaps concerning to see that late payment of invoices appears to be normal behaviour among a substantial proportion of businesses.

87%
of businesses say that they pay
most invoices **on time**



38%
of businesses say that they
receive most invoice payments
outside of terms



The methods that businesses use to make their outgoing payments

Bacs Direct Credit remains the most frequently-used payment method by businesses in the UK, being used for over a third of all business payments. However, large businesses make far greater use of Bacs Direct Credit than their smaller counterparts.

One of the most significant changes in business payments behaviour over the past few years has been the growth in use of Faster Payments. Our research in 2012 found that Faster Payments was used for just 3% of outgoing business payments, but by 2018 this had grown to 20% of outgoing business payments.

**Proportion of outgoing payments made by
businesses that were made using Faster Payments:**

3%
2012



20%
2018

There has been significant growth in the use of Faster Payments by businesses of all sizes. However, this payment method has achieved particular prominence amongst smaller businesses, perhaps reflecting the increasing popularity of online and mobile banking. Businesses are now able to access convenient and cost-effective methods of initiating account-to-account payments, and small businesses in particular appear to have taken to Faster Payments as a way of making such payments without needing to become a Bacs originator.

Much of the growth of Faster Payments has come as a result of substitution away from using cheques. In our 2012 research, 21% of all outgoing payments made by businesses were made using cheques. By 2018, this had fallen to just 6%.

Proportion of outgoing payments made by businesses that were made using cheques:

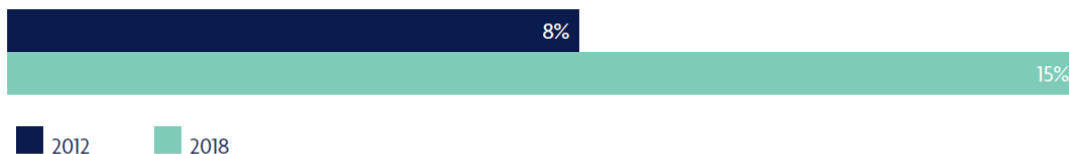
21%
2012



6%
2018

Sole traders are now making far more extensive use of cards to make payments, as compared with 2012. When making outgoing payments, cards tend to be used more by small businesses than by large businesses, a trend that has persisted over time.

Growth in sole traders' use of cards to make outgoing payments:



Credit cards tend to be used more extensively by larger businesses and debit cards tend to be used more extensively by smaller businesses. This pattern has remained consistent over the past few years.

The ways in which businesses receive payments from their customers

Four out of ten payments received by businesses are now received by card. Larger businesses are more likely than smaller businesses to accept card payments. However, there have been considerable changes in card acceptance over the past five years, with a significant increase in the proportion of sole traders and micro businesses that accept card payments. Those businesses that have started to accept card payments point to advances in technology that have made this easier for them, but also say that they are responding to consumer demand to be able to pay by card.

Over a quarter of payments received by businesses are paid directly into the business bank account. This is a far more important payment method for businesses that supply other businesses, as compared to businesses that supply consumers.

Proportion of businesses accepting payments directly into the business bank account:

76%
B2B



25%
B2C

Conversely, cash is far more likely to be accepted by businesses that supply consumers than those that supply other businesses. There has been much talk in recent years about the changing role of cash in the UK economy, and our research investigated how those businesses that currently accept cash feel about it, and whether they have any plans to stop accepting cash in future. Of the businesses in the UK that currently accept cash, just 5% said that it is possible that they will stop accepting cash as a form of payment in future. Despite the ongoing rise in popularity of card payments in general, and contactless payments in particular, it does not appear that there is any evidence of businesses turning away from accepting cash as a payment method.

Nevertheless, the proportion of payments that businesses receive in cash has declined over the past five years, as cards have become more popular amongst consumers, and this trend is expected to continue in future.

Awareness of some types of potential fraud, and steps taken to guard against them
As part of our research, we investigated business readiness for dealing with two types of scams that have recently become popular amongst fraudsters:

- CEO spoofing
- Invoice fraud

CEO spoofing

CEO spoofing is where an employee receives an email apparently from the company's CEO (or some other senior member of staff) asking them to make an urgent payment outside of normal procedures. Typically, a fraudster will have manipulated the characteristics of the email, including the sender address, so that it looks genuine. If the employee transfers the money as requested, it goes straight to an account controlled by the fraudster.

We asked medium and large businesses (who are potentially most vulnerable to this type of scam) whether they were aware of CEO spoofing and whether their business had experienced an attempt at CEO spoofing.

CEO spoofing
29% of medium and large businesses
have experienced CEO spoofing attempts

Just over three-quarters of respondents (77%) were aware of the existence of CEO spoofing. However, worryingly, almost a quarter (23%) were not aware that this was a danger that they needed to guard against.

Invoice fraud

Invoice fraud can take place where criminals are able to acquire details from business invoices (even down to knowing the correct payment dates when invoices are due to be paid). They then pose as regular genuine suppliers to the business and make a formal request for the supplier's bank account details to be changed (that is, the details of the bank account that should be used for paying business invoices). If the business makes the changes to invoice details stored on their system as requested, any payment of invoices received from the genuine supplier in future will result in the money going to an account controlled by the fraudster rather than to the supplier.

We asked businesses of all sizes whether they were aware of the existence of this type of invoice fraud, and whether or not they had experienced attempts at such fraud.

Overall, whilst over half of all businesses were aware of the existence of invoice fraud, this left 43% that were not aware of this type of fraud. Awareness tends to rise as the size of the business increases, with 55% of sole traders being aware of invoice fraud, rising to 84% of large businesses.

43%

**of businesses are not aware
of the dangers of invoice fraud**

Businesses are becoming increasingly open to using different forms of payment, and in particular are turning to online banking, mobile banking and other technology for their day to day activities. Use of these forms of payments typically differs depending on the size of the firm and payment purpose.

Encouragingly, business satisfaction with the methods used to make and receive payments scores over 8 out of 10. However the payments landscape develops and changes in the coming years, this highlights the importance to firms of a diverse range of options and choice.