The cost of doing business

Life for small businesses and self-employed people who are struggling financially

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Growth in self-employment

Net cumulative change in employee and self-employed jobs in the UK
Q1 2001 to Q4 2016

Source: Trends in self-employment in the UK, ONS, February 2018
Faster growth in self-employed with no employees

Self-employed with or without employees in the UK
Q1 2001 to Q4 2016

Index 2001 = 100

Source: Trends in self-employment in the UK, ONS, February 2018
The self-employed are more likely to be low paid

Proportion of full-time workers earning below 2/3 median weekly earnings

Source: Resolution Foundation analysis of ONS, Family Resources Survey
The self-employed are in a wide range of sectors

Falling profits for self-employed sole traders

Source: Trends in profits of self employed sole traders: evidence from tax data, Jonathan Cribb, IFS, June 2018
Small business and self-employed in difficulty
Who we help

Source: Customer Relationship Management system, 2017
What debts the people we help have

Source: Customer Relationship Management system, 2017.
Main problems the people we help face

Main reasons for going into debt 2017

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business failure</td>
<td>30%</td>
</tr>
<tr>
<td>Taking out too much credit</td>
<td>18%</td>
</tr>
<tr>
<td>Ill health/disability</td>
<td>14%</td>
</tr>
<tr>
<td>Job loss</td>
<td>13%</td>
</tr>
<tr>
<td>Action of my creditors, reduction in hours/income &amp; relationship breakdown</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Reasons for going into debt information sourced from 6 weeks on caller to Business Debtline surveys; 2017. aggregate. All other information is from the Customer Relationship Management system, 2017.
Use of credit for essential household debt

- Food or groceries: 23%
- VAT payments: 3%
- Income Tax payments: 7%
- Court fines: 1%
- Child maintenance payments: 1%
- Council Tax: 7%
- Rent or mortgage: 6%
- Water rates: 8%
- Telephone bill: 10%
- Energy bills (e.g. electricity, gas): 10%
- Any other essential household costs: 14%
- None of these: 69%

Source: Business Debtline Annual Impact Survey 2017
The cost of doing business report

The three key challenges identified:

- Struggling to cope
- High personal cost
- No safety net to fall back on
Real stories

Jessica, the clothes seller
Earnings of the people we help

The business's total annual turnover (or income) before tax, business expenses and other deductions of the people we help varies.

Source: Business Debtline Annual Impact Survey 2017
Late payments or not being paying for services they delivered is a common issue for the people we help.

Source: Business Debtline Annual Impact Survey 2017
Vulnerability

Two in three respondents (69%) self-define themselves as being in a vulnerable situation at the time of contact.

Source: Business Debtline Annual Impact Survey 2017
Access to finance

QA. Do you use a business current account and / or a personal current account, to manage income, payments and transactions in relation to your business or self-employment?

- Business current account only: 22%
- Personal current account only: 20%
- Business and personal current accounts: 4%
- I do not use any accounts: 21%
- Not applicable: 31%
- Don't know: 2%

Base QA: All responding (211)

QB. Thinking about the personal account you use to manage income, payments and transactions in relation to your business or self-employment, is this ....?

- The same current account you use for your personal banking: 6%
- A separate personal current account used only for business: 58%
- Don't know: 26% of total (45% of sole traders)

Base QB: All who use personal account only or personal and business account at QA (105)

Source: Business Debtline Annual Impact Survey 2017
# Experiences with creditors

<table>
<thead>
<tr>
<th>Service</th>
<th>Very fairly</th>
<th>Quite fairly</th>
<th>Not very fairly</th>
<th>Not at all fairly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water company</td>
<td>40</td>
<td>31</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>DWP</td>
<td>39</td>
<td>22</td>
<td>12</td>
<td>27</td>
</tr>
<tr>
<td>Mobile phone company</td>
<td>38</td>
<td>27</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>Local council</td>
<td>32</td>
<td>27</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>Energy company</td>
<td>31</td>
<td>29</td>
<td>10</td>
<td>29</td>
</tr>
<tr>
<td>HMRC</td>
<td>31</td>
<td>34</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Private landlord</td>
<td>30</td>
<td>34</td>
<td>9</td>
<td>27</td>
</tr>
<tr>
<td>Payday or short term lender</td>
<td>29</td>
<td>24</td>
<td>12</td>
<td>35</td>
</tr>
<tr>
<td>Bank or building society</td>
<td>28</td>
<td>31</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td>Catalogue lender</td>
<td>25</td>
<td>40</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Store card lender</td>
<td>20</td>
<td>40</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Debt collection agency</td>
<td>18</td>
<td>35</td>
<td>18</td>
<td>29</td>
</tr>
</tbody>
</table>

Source: Business Debtline Annual Impact Survey 2017
Tax and benefits

Making Tax Digital should help the self-employed to track their tax more easily.

Universal Credit provides support to the self-employed.

As the Universal Credit Full Service rolls out, it will help them grow their earnings to a level of self-sufficiency.

Source: Customer Relationship Management system, 2017 aggregate.
Resilience

✓ Self-employed are less likely to save on a private pension (or similar products) to fund their retirement than employees.

✓ Early insights show that people do not save for their retirement primarily because they do not have enough money to save.