

# The cost of doing business

**MONEY**  
ADVICE TRUST

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BUSINESS  
DEBTLINE

NATIONAL  
DEBTLINE

WISER  
ADVISER

ADVICE YOU CAN TRUST

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

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Director of External Affairs  
Money Advice Trust  
CHASM Annual Conference 2018  
26 June 2018

# Growth in self-employment

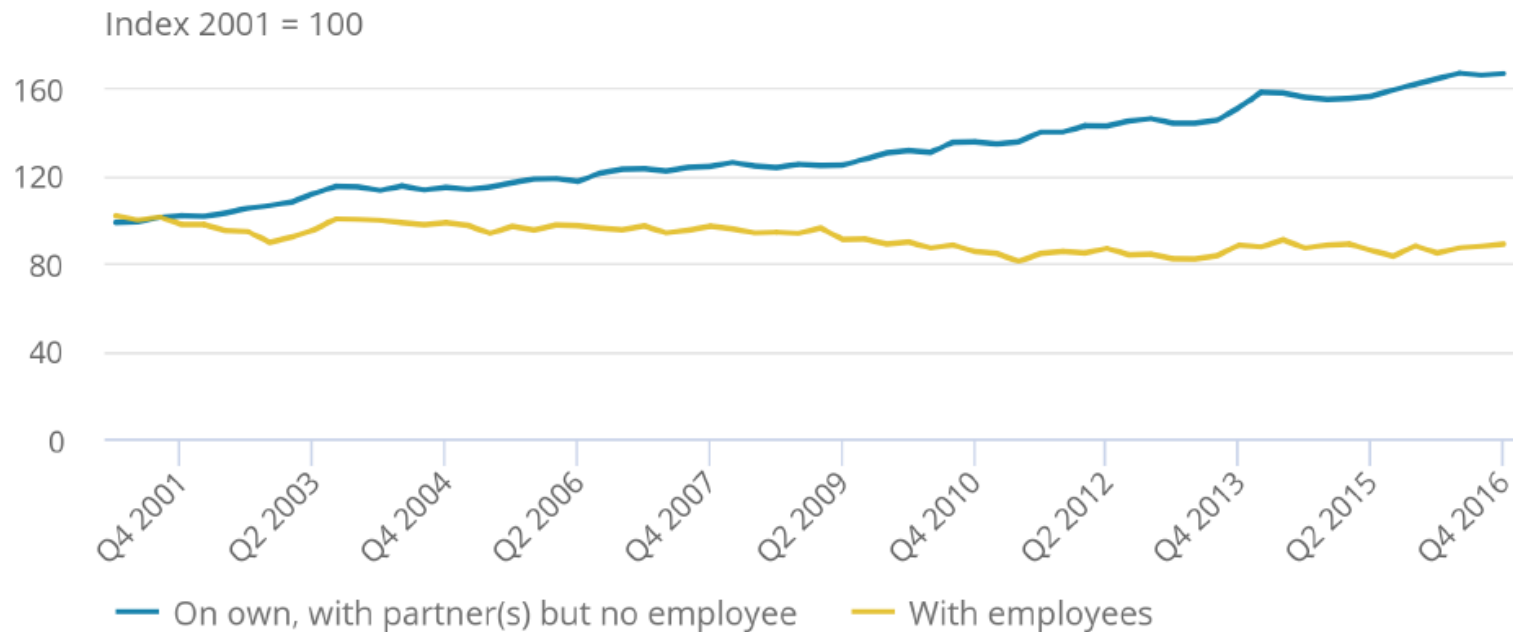
Net cumulative change in employee and self-employed jobs in the UK  
Q1 2001 to Q4 2016



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



Source: Trends in self-employment in the UK, ONS, February 2018

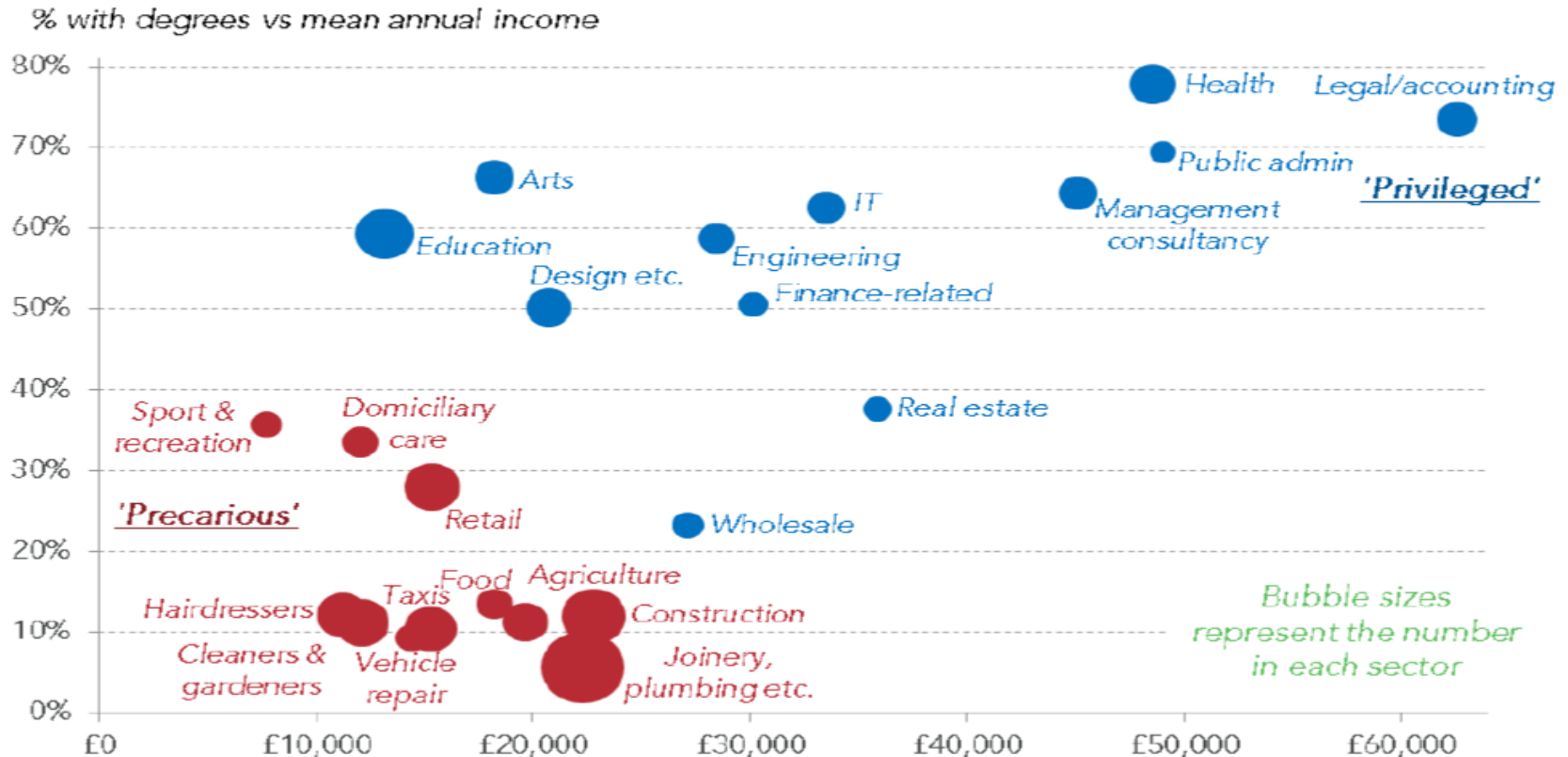
# The self-employed are more likely to be low paid

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



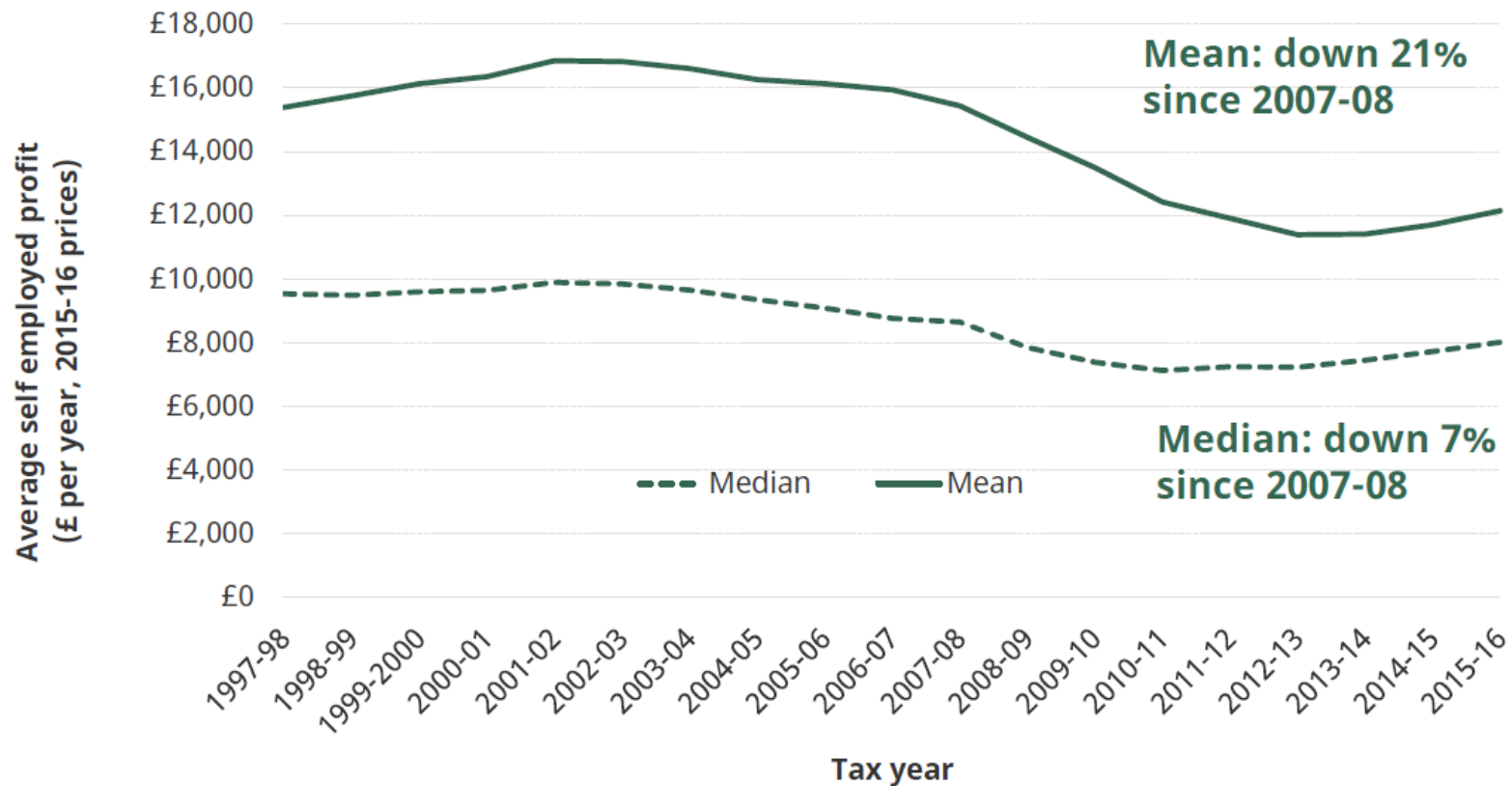
Source: Resolution Foundation analysis of ONS, Family Resources Survey

# The self-employed are in a wide range of sectors



Source: A tough gig? The nature of self-employment in 21st Century Britain and policy implications, Dan Tomlinson and Adam Corlett, Resolution Foundation, February 2017

# 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



**BUSINESS  
DEBTLINE**

**Small business and self-employed in  
difficulty**

# Who we help

**BUSINESS  
DEBTLINE**

## Gender



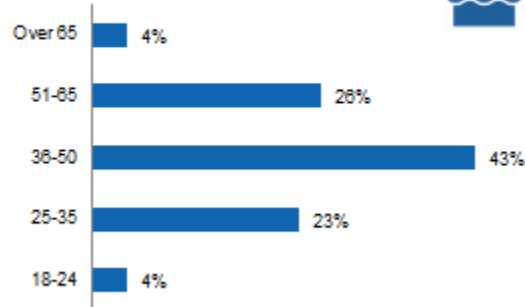
64%



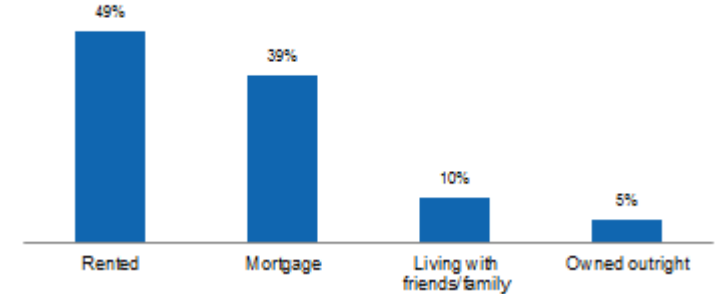
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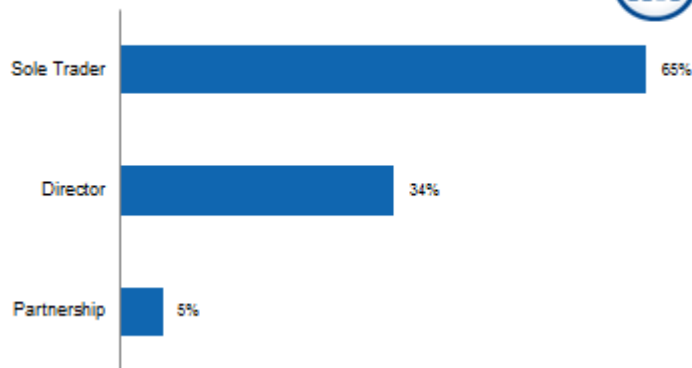
## Age



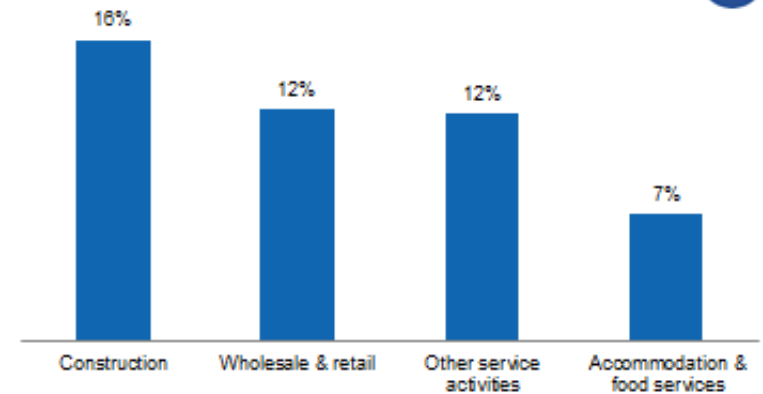
## Housing status



## Trading status



## Top 4 Business Type

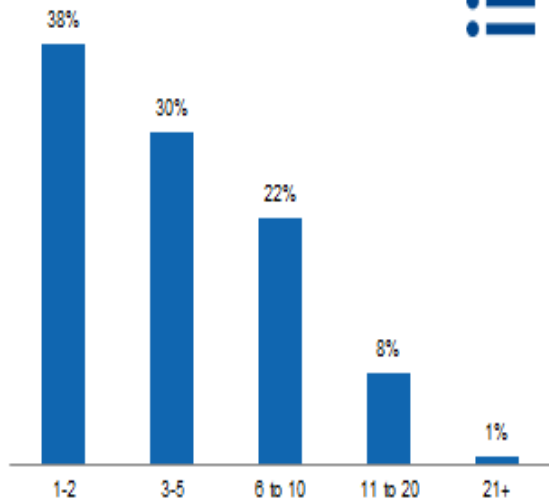


Source: Customer Relationship Management system, 2017

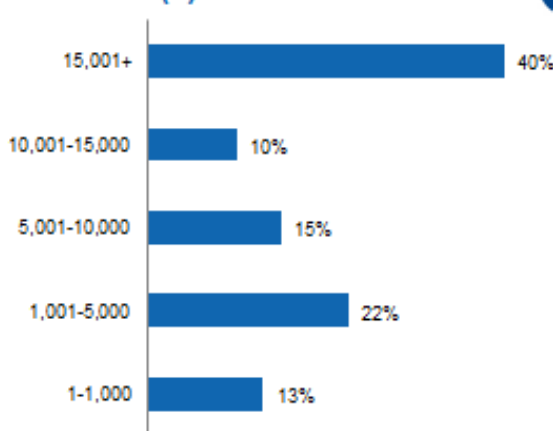


# What debts the people we help

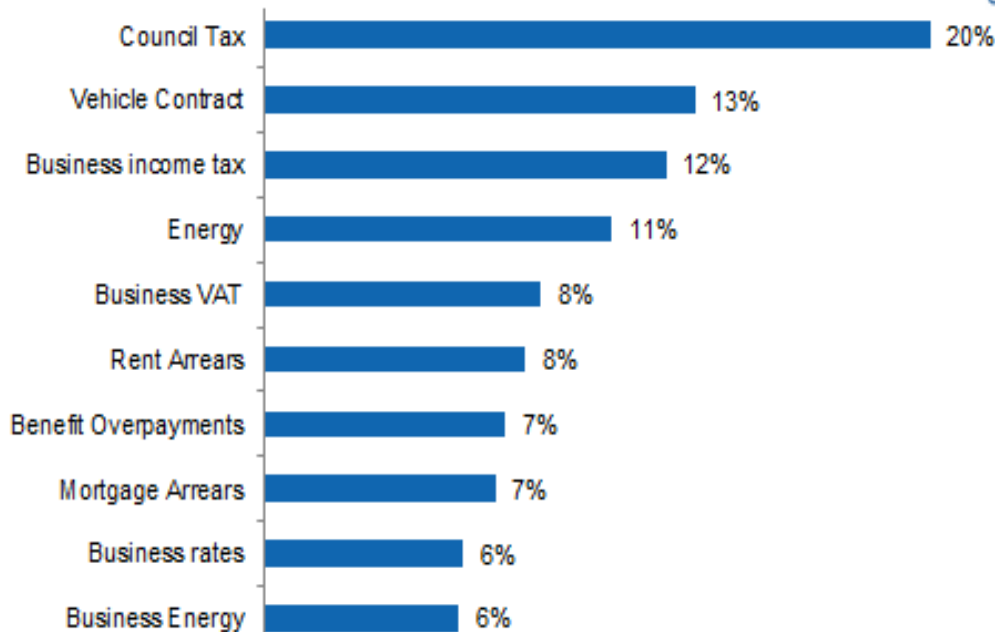
## Number of debts



## Total debt (£)

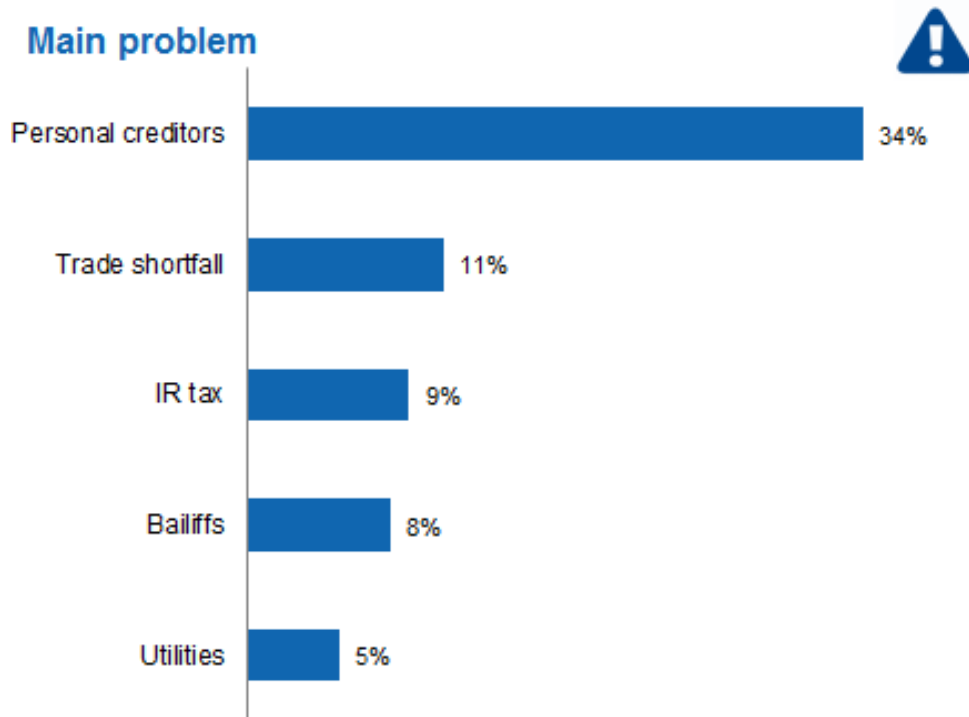


## Top priority debts we advised on



Source: Customer Relationship Management system, 2017.

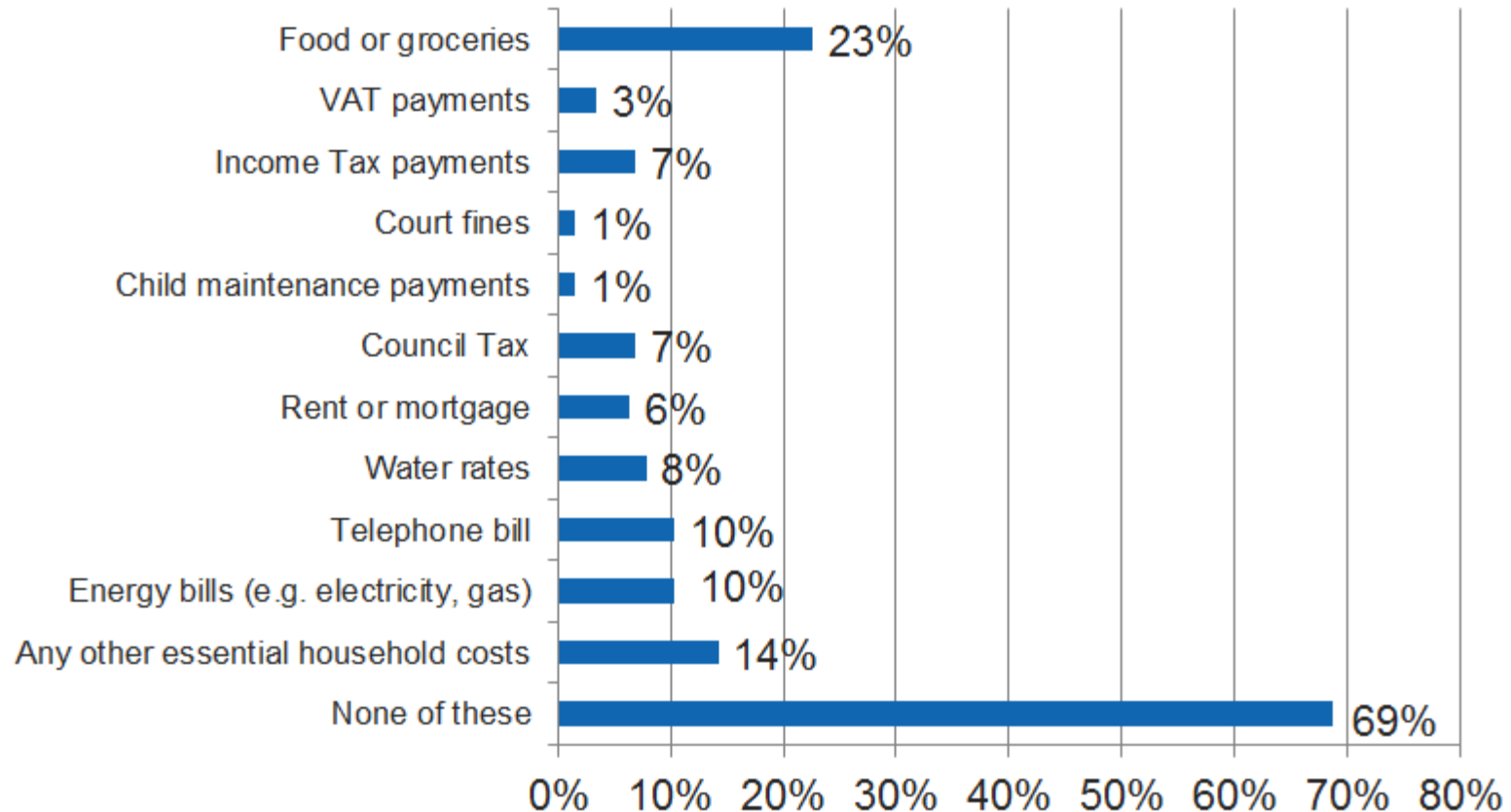
# Main problems the people we help face



Main reasons for going into debt	2017
Business failure	30%
Taking out too much credit	18%
Ill health/disability	14%
Job loss	13%
Action of my creditors, reduction in hours/income & relationship breakdown	10%

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



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

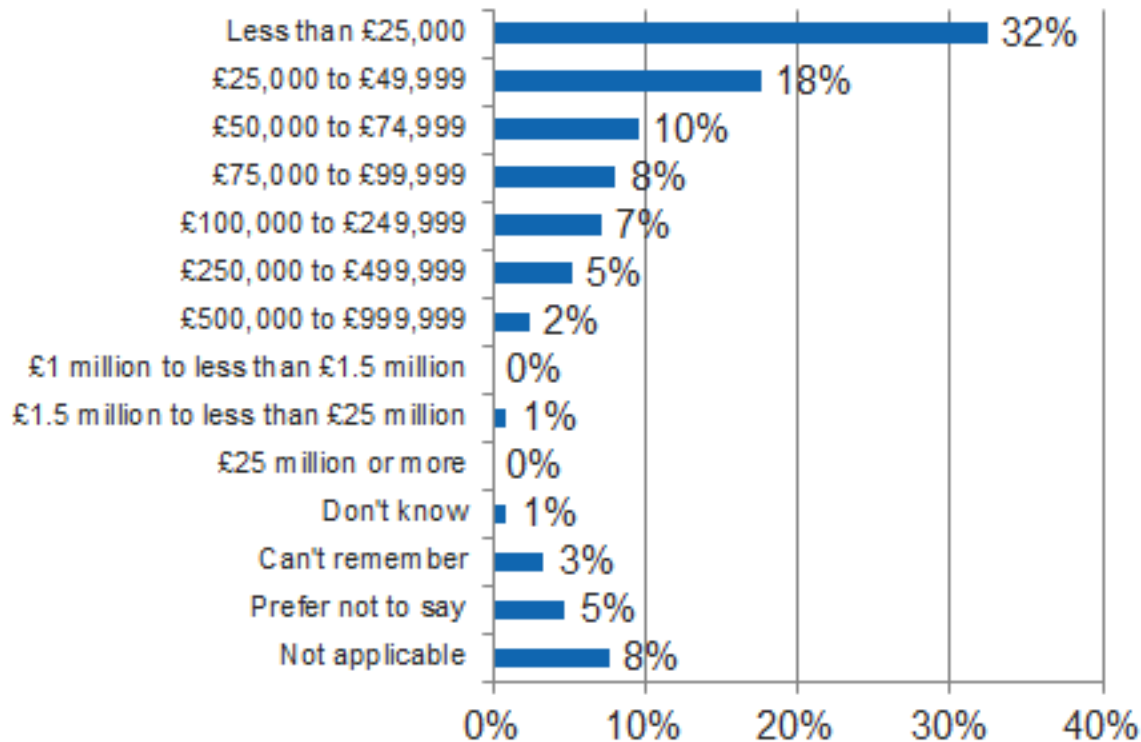


# Real stories

## Jessica, the clothes seller

# Earnings of the people we help

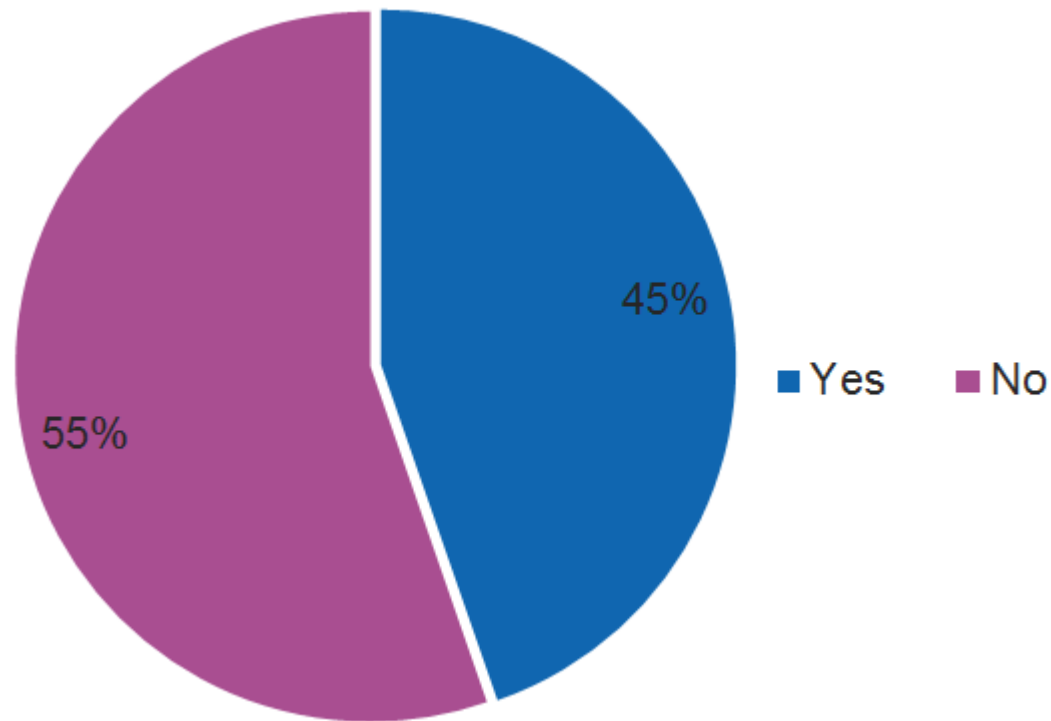
The business's total annual turnover (or income) before tax, business expenses and other deductions of the people we help varies.



Source: Business Debtline Annual Impact Survey 2017

# Late payments

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.

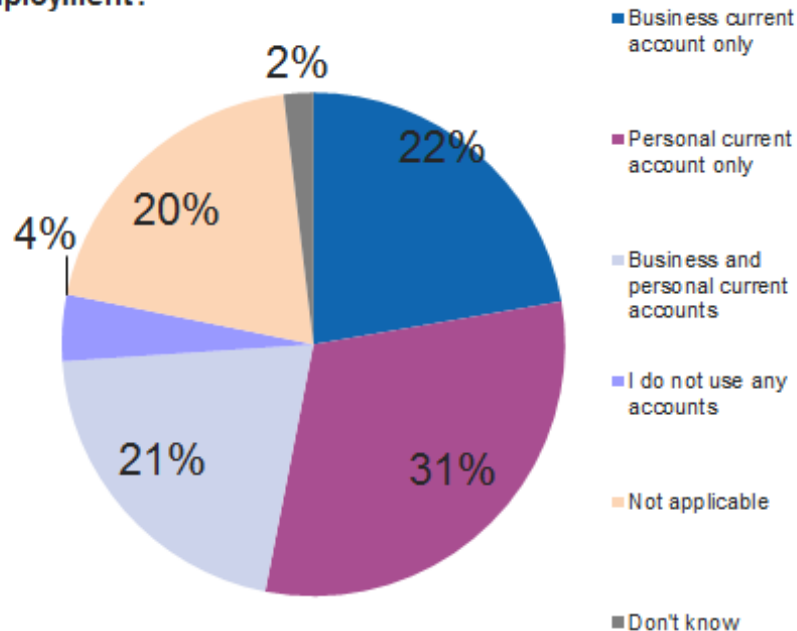
Bereavement Vulnerable Lose Point HMRC Income  
Mental Health Threatening Suicidal Aggressive  
Anxiety Job Loss Stressed Chronic  
Depression Diagnosed with Cancer  
Business Low Money Useless Debt Trying  
Issues Recovering Illness Worse Children Unable

Source: Business Debtline Annual Impact Survey 2017



# Access to finance

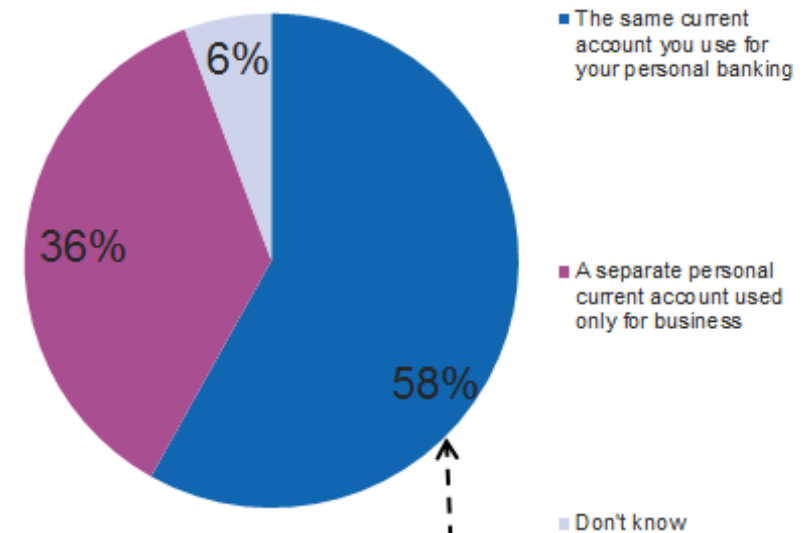
QA. Do you use a business current account and / or a personal current account, to manage income, payments and transactions in relation to your business or self-employment?



Base QA: All responding (211)

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

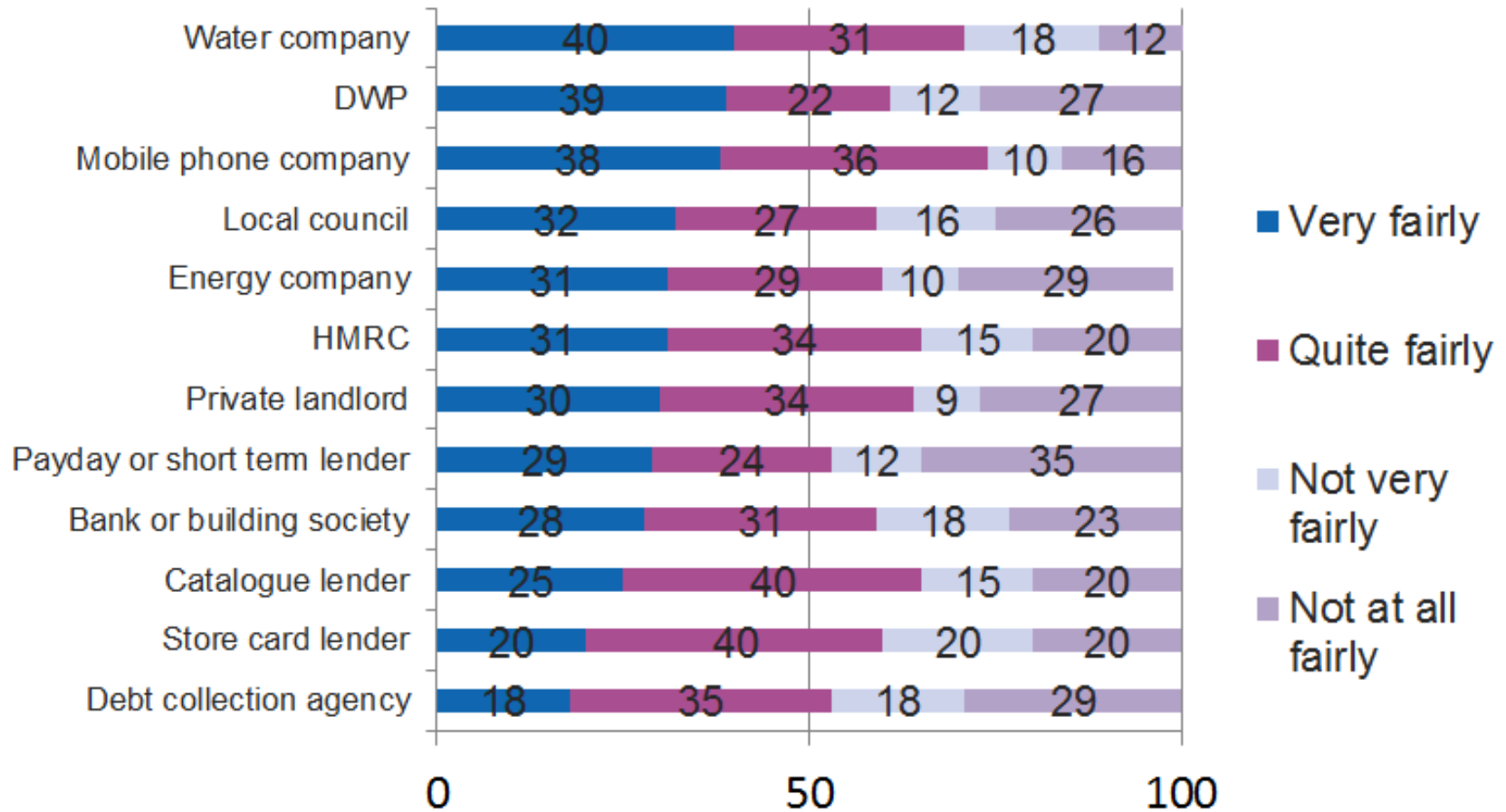
QB. Thinking about the personal account you use to manage income, payments and transactions in relation to your business or self-employment, is this ....?



26% of total (45% of sole traders)

Source: Business Debtline Annual Impact Survey 2017

# Experiences with creditors



Source: Business Debtline Annual Impact Survey 2017

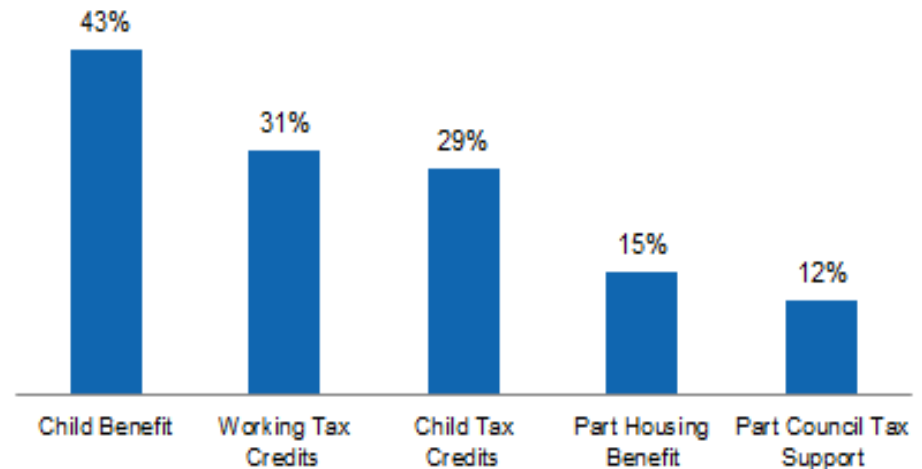
# Tax and benefits

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.

Top 5 benefits, of the people who tell us they are on benefits



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.

