Getting Businesses Paid: Commercial debt recovery in the UK

November 2026



csa
voice of the collections industry

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£1.77 billion

Commercial debt recovered by CSA members.

£10.4 billion

Commercial debt being managed by CSA members

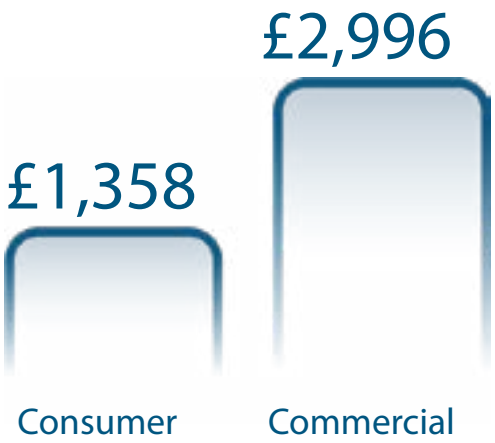


86 hours spent per business

chasing late payments each year.

That amounts to an estimated 133 million hours spent chasing late payments across the UK economy every year.

The average commercial debt managed by CSA members in 2025/26 was £2,996 - compared to an average consumer debt of £1,358.





Executive Summary

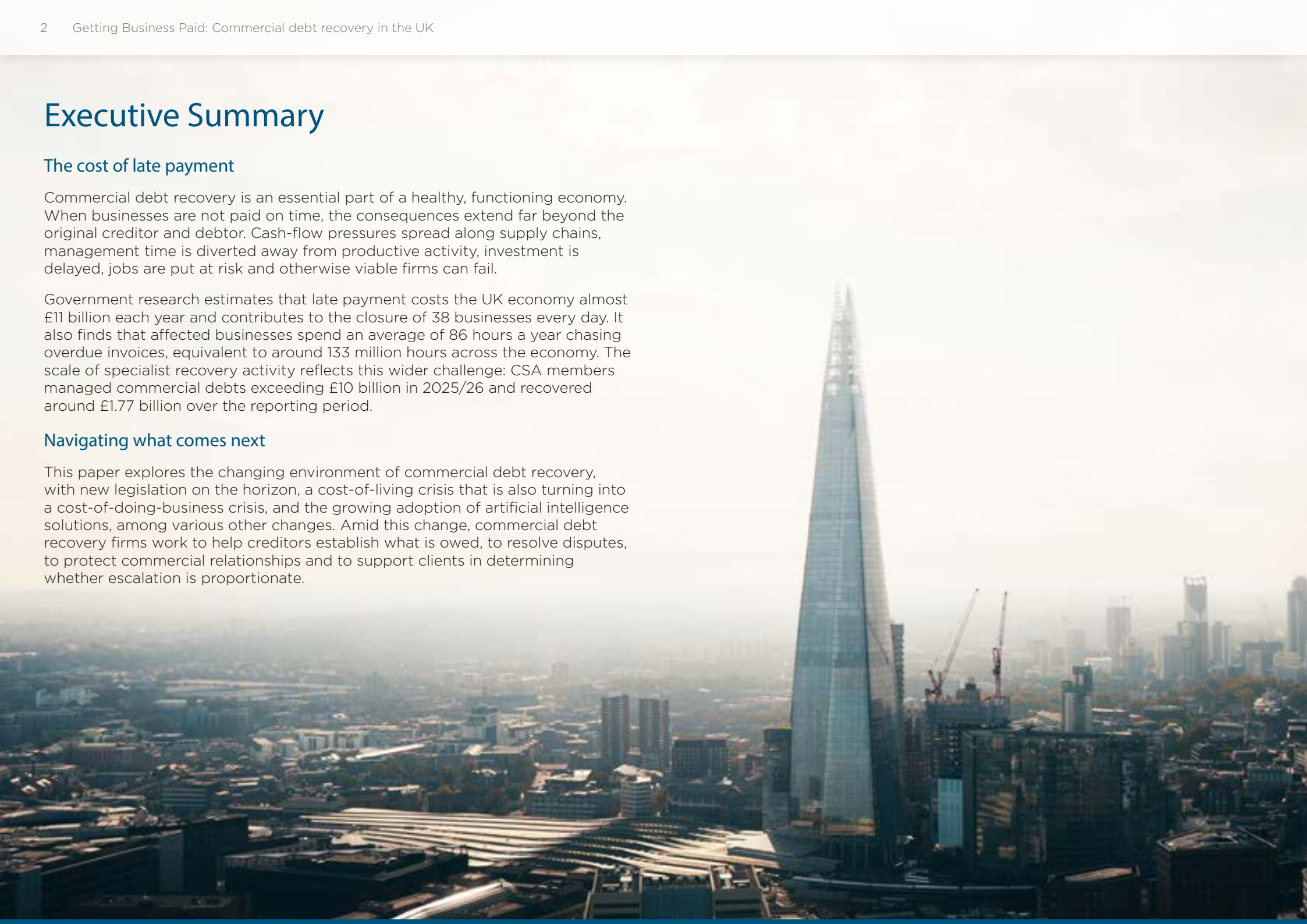
The cost of late payment

Commercial debt recovery is an essential part of a healthy, functioning economy. When businesses are not paid on time, the consequences extend far beyond the original creditor and debtor. Cash-flow pressures spread along supply chains, management time is diverted away from productive activity, investment is delayed, jobs are put at risk and otherwise viable firms can fail.

Government research estimates that late payment costs the UK economy almost £11 billion each year and contributes to the closure of 38 businesses every day. It also finds that affected businesses spend an average of 86 hours a year chasing overdue invoices, equivalent to around 133 million hours across the economy. The scale of specialist recovery activity reflects this wider challenge: CSA members managed commercial debts exceeding £10 billion in 2025/26 and recovered around £1.77 billion over the reporting period.

Navigating what comes next

This paper explores the changing environment of commercial debt recovery, with new legislation on the horizon, a cost-of-living crisis that is also turning into a cost-of-doing-business crisis, and the growing adoption of artificial intelligence solutions, among various other changes. Amid this change, commercial debt recovery firms work to help creditors establish what is owed, to resolve disputes, to protect commercial relationships and to support clients in determining whether escalation is proportionate.



Reforming the UK's payment culture

The Commercial Payments Bill represents the most significant proposed reform of business payment practices in more than 25 years. Its measures include mandatory statutory interest, clearer rules for raising disputes, and enhanced powers for the Small Business Commissioner. These reforms should create clearer incentives for prompt payment and strengthen the position of smaller suppliers.

They may also improve the ability of recovery firms to explain and enforce creditors' rights. However, implementation will matter as much as legislation, and the Commissioner must be adequately empowered and willing to investigate, adjudicate and enforce against persistent poor payment practices.

Emerging and enduring debt avoidance tactics

Creditors and collections firms continue to see the damage caused by online misinformation, as those in debt are misled into pursuing vexatious and meritless complaints or claims, with generative AI tools making it easier to produce seemingly plausible, yet ultimately inaccurate or irrelevant, arguments. More sophisticated efforts to avoid liabilities including 'phoenixing', where those in debt declare insolvency only to reappear under a new name carrying out similar business, are also notable in the sector.

AI: Friend or Foe?

Changes in technology also present opportunities, with AI solutions already supporting administration, quality assurance and more tailored engagement across the sector. To mitigate the risks, however, there is a need for robust governance and human oversight, while policymakers must address the misinformation risks that AI can amplify.

Litigation: an expensive barrier?

Pursuing recovery through litigation, meanwhile, can be too expensive, slow or uncertain for smaller claims, even where liability is clear. The costs, in particular, can be quite prohibitive for smaller firms, with a claim just over £5,000 carrying a fee of more than 9% the value being claimed. Consideration needs to be given to making the legal process work better for claimants.

Improved and accessible data

There are signs that data on commercial debtors is set to improve, with enhanced Companies House information and broader commercial credit data. It is anticipated that these could improve tracing, risk assessment and early intervention, but for these benefits to be realised, it will be crucial that accurate information is accessible and affordable to SME creditors and recovery firms of all sizes.

Government collections

There are opportunities for wider collaboration. Specialist recovery firms have demonstrated strong returns in public-sector collections and could support more effective recovery of small business tax debt and other liabilities.

Commercial financial literacy

At the same time, prevention must form part of the response. Many business owners lack confidence in areas such as tax, cash flow, business planning and finance. Better commercial financial literacy and earlier access to credible advice could prevent debts from escalating and help distinguish genuine financial difficulty from deliberate avoidance.



Where change is needed

The sector is undergoing a period of change and many of those changes have the potential to improve commercial payment practices and support creditors in recovering unpaid debts. Against this background, it is a prime opportunity to explore other changes to support those goals.

If these measures are implemented coherently, they can support more responsible payment practices, reduce avoidable business failures and improve recoveries for both private and public creditors.

The central policy objective should be to create an environment in which businesses are paid promptly, genuine disputes are resolved quickly, deliberate avoidance is challenged effectively and firms in difficulty are directed towards timely support.

1. Embed stronger payment discipline through the Commercial Payments Bill.

The final framework should set meaningful expectations for payment terms, dispute handling and statutory interest.

2. Review litigation fees and streamline the legal pursuit of clear commercial debts.

Government, HMCTS and industry should examine whether current fees deter valid smaller claims and develop a faster route for low-complexity, undisputed business debts.

3. Carry out an in-depth review of phoenixing and strengthen preventive measures.

Government should assess the scale and economic cost of phoenixing, close legislative loopholes, explore how successor entities are able to use claims of third-party ownership to prevent enforcement and consider stronger tests for successor businesses, and provide clearer routes to pursue directors or controllers where there is evidence of abuse.

4. Strengthen measures to tackle misinformation.

Government and regulators should address misinformation that drives avoidance tactics and baseless complaints, and increase accountability for platforms hosting harmful content.

5. Invest in commercial financial literacy and early advice.

Government, advice bodies, creditors and trade associations should support and develop initiatives to enhance commercial financial literacy.

6. Explore public-sector partnership opportunities.

Government should assess where specialist commercial recovery firms could improve outcomes for small business tax debt and other public-sector liabilities.

7. Ensure fair access to improved commercial credit data.

Reforms to company and commercial credit information should be matched by affordable, practical access for SMEs and recovery firms of every size.

Introduction

The Department for Business, Innovation, Science and Trade (DBIST) has described late payment as "a significant drag on UK growth and productivity"[1]. That assessment is borne out by the figures considered in this paper: an estimated economic cost to the UK of £11 billion, more than £10 billion of commercial debt managed by CSA members, and an average commercial debt value of almost £3,000[2].

Many businesses in the UK are facing significant pressures at the moment. While the UK's cost-of-living crisis is often discussed in the context of consumer indebtedness, its impact on businesses should not be ignored. Firms have faced sharp increases in utility costs alongside additional demands such as higher employer National Insurance contributions and a rising minimum wage.

City AM reported that British Chambers of Commerce figures showed that an average firm's expenses have risen 70% in the last decade[3]. These pressures are reflected in business closure data: ONS figures[4] indicate that almost 290,000 businesses closed in 2025, with reported closures as of June 2026 already exceeding 150,000. In its December 2025 statistics release[5], the Insolvency Service noted that the preceding four years had seen the highest numbers of creditors' voluntary liquidations since records began in 1960.

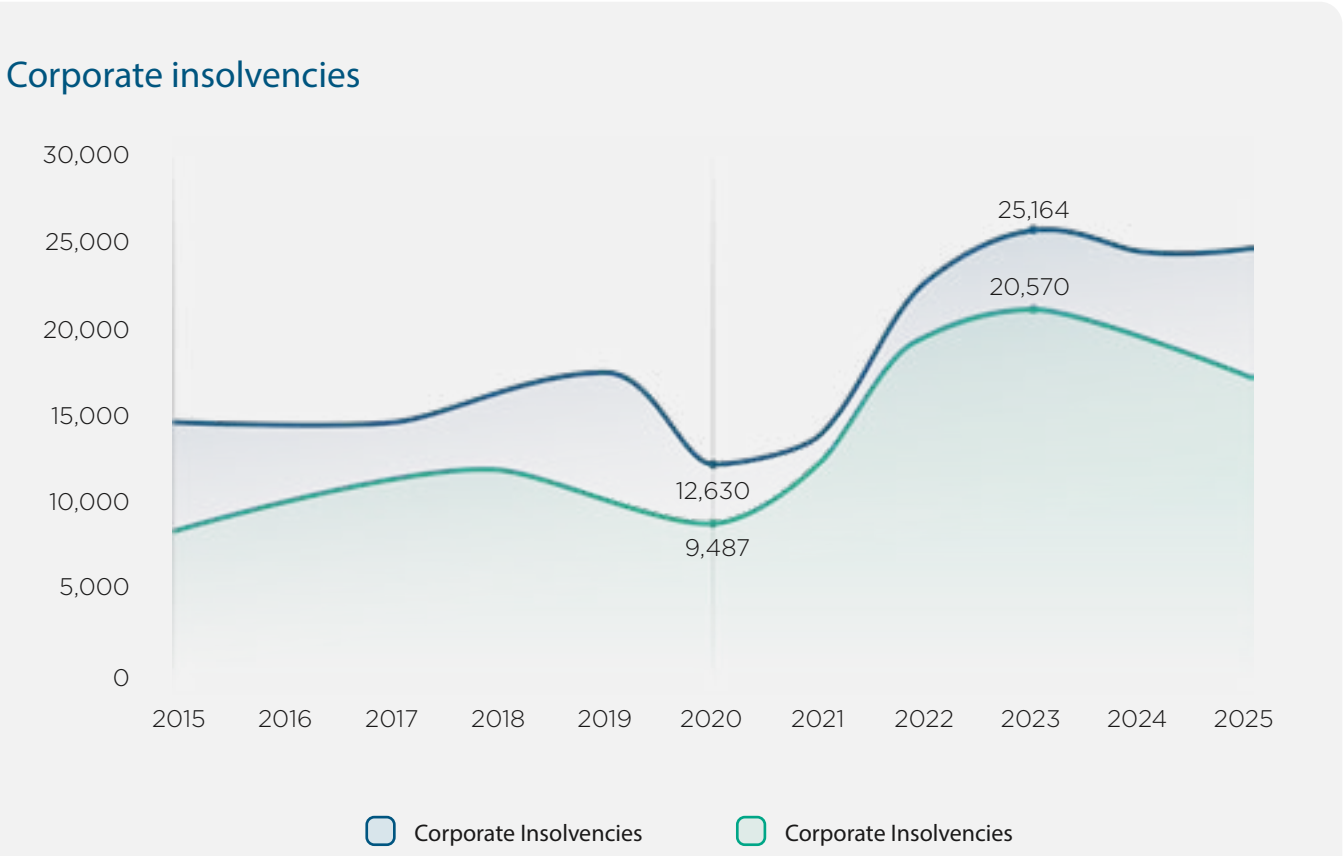


Figure 1: Corporate insolvencies 2015-2025 - including period of highest numbers of creditors' voluntary liquidations since 1960, Insolvency Service

1. Department for Business, Innovation, Science and Trade (DBIST): Late payments: tackling poor payment practices (July 2026)
2. Based on CSA Data Gathering Initiative 2024/25 member submissions
3. City AM: "'Cost of business crisis' as government drives up overheads 70 per cent in a decade" (11 August 2026)
4. Office for National Statistics: Business demography, quarterly UK – Q2 2026 (June 2026)
5. The Insolvency Service: Company insolvencies, December 2025 (January 2026)



The impact of late payment

For small and medium-sized enterprises (SMEs), late payment is not simply an administrative inconvenience. It can determine whether wages, rent, tax liabilities and suppliers are paid on time.

According to DBIST research[6]:

> "22% of surveyed businesses said they spent staff time chasing late payments, on average 86 hours per business affected by late payment each year".

That amounts to an estimated 133 million hours spent chasing late payments across the UK economy every year Late payment diverts management time away from growing the business, improving productivity and delivering the right level of customer service, while also increasing pressure on businesses that may already have limited financial resilience. At its extremes, it drives business closures and insolvencies.

Late payments contribute to:

38 business closures per day

Government research has suggested that late payment contributes to around 38 business closures each day. Each of those closures carries wider consequences, including unemployment, lost income, unpaid debts and taxes, and potential reliance on state support.

The role of debt recovery firms

This is where commercial debt recovery firms often step in, providing a professional approach to recovering late payments, although it is not late payment alone that calls for their services. Their expertise is also regularly sought in dealing with businesses that have operated fraudulently or that have sought to exploit legal loopholes to avoid their liabilities.

This is the kind of misconduct that can often leave creditor businesses struggling to remain operational, making the intervention of a recovery firm even more crucial. In those circumstances, where recovery is likely to be more contentious, the legal framework has a much bigger part to play than it might in circumstances of late or missed payment. For some creditors, though, the underlying costs of a legal approach can be a step too far, leaving some defrauded businesses with few viable options.

Commercial debt recovery firms operate in a complex and challenging environment. Even though commercial debt recovery is usually centred on business-to-business contractual obligations, that does not make the process straightforward - debts may be disputed; invoices may be incomplete; supply terms may be unclear; and the instructing client may also need the collections firm to protect the commercial relationship between the client and debtor.

And from the debtor side, commercial debt recovery firms may find that some commercial debtors are dealing not only with their non-payment, but also with weak financial administration, limited understanding of cash flow, tax obligations or business budgeting, and uncertainty about where to obtain help.

6. DBIST: Late payment research: impact on the UK economy (July 2026)



Money Advice Trust research[7] has shown that more than half of those helped by, business-focused debt advice body, Business Debtline are not confident calculating the amount of tax they owe and more than a third had little confidence calculating cash flow and profits. It is little wonder that Business Debtline reports having provided telephone or online support to more than 50,000 small businesses and self-employed people in 2024. This is an area not only where support is far more niche than that available to consumers, but also an area where the creditor may be as likely to require support as the debtor.

Against this backdrop, commercial debt recovery firms play an essential role in tackling late payment, helping businesses to recover what they are owed, and reducing the risk of business failure.

Being able to strike the critical balance between recovering what is due, protecting the client relationship and responding to the debtor's circumstances is why **CSA members were able to recover £1.77 billion in commercial debt across the 2025/26 reporting period.** That figure represents an increase on the £1.39 billion recovered the previous year. There may be widespread challenges across the commercial debt sector, but when afforded the opportunity, recovery firms are more than capable of navigating those challenges and delivering returns.

What's next for commercial collections?

In the coming 12-18 months, the sector is expected to grapple with, among other things, new legislation, the ongoing rise of artificial intelligence, and potential change in the availability of commercial data. With such developments expected to shape the future of commercial debt recovery, we consider here what they could mean for CSA members and whether they are likely to help or hinder debt recovery.

2025/26

£1.77 billion

Commercial debt recovered by CSA members.

Commercial debt recoveries by CSA members rose by more than 20% in 2025/26, compared with £1.39 billion recovered the previous year.



7. Money Advice Trust: Building Up Business: Closing the small business finance skills gap (March 2025)

1. Changes in the law

Historically, the main statutory framework in this area has been set by the Late Payment of Commercial Debts (Interest) Act 1998 ("Late Payment Act"), which provides for the right to claim statutory interest, fixed compensation and reasonable recovery costs on qualifying business-to-business debts. In practice, however, the existence of these rights has not always necessarily translated into confident enforcement. For example, smaller suppliers may fear damaging commercial relationships, losing future work, or appearing confrontational when the debtor is a larger customer.

In recognition of growing concerns that late payment remains embedded in parts of the business culture, the Government is presently in the process of introducing the Commercial Payments Bill (see Figure 3), which is intended to strengthen payment discipline in the UK by reshaping requirements around payment terms, statutory interest, dispute handling and accountability for larger businesses.

Of particular significance is the proposal to make the Late Payment Act's statutory interest (charged at 8% plus Bank of England base rate) mandatory. While creditors have long had the ability to charge interest on qualifying commercial debts, some clients can be reluctant to pursue that interest because of perceived risks to the customer relationship. Making statutory interest a standard consequence of late payment could reduce that reluctance, while also driving better payment behaviours across supply chains.

The Bill also proposes to limit payment terms in many cases to 60 days and allows for a fixed sum to be recovered for late or inadequately articulated disputes. It will also strengthen the role and powers of the Small Business Commissioner, most notably introducing the power to impose financial penalties on persistent late payers.

Commercial Payments Bill

Figure 3: Key proposals in Commercial Payments Bill 2026



What could this mean for commercial debt recovery?

A clearer and more comprehensive statutory framework will aid recovery firms in their engagement with clients, particularly in terms of setting out what can and cannot be delivered. Removing the discretionary element from statutory interest should also go some way to addressing historic client reticence to charge and recover it, while also strengthening the ability of recovery firms to manage challenges from debtor businesses. On the other hand, average commercial debt balances could rise, as the circumstances in which statutory interest is attached to commercial debts increase.

With stronger measures around the timing and quality of disputes, this will potentially give recovery firms an additional role to play in proceedings, supporting clients with early dispute triage – making sure a dispute has been raised in line with statutory requirements, carrying out an initial review of any relevant evidence and identifying accounts that should be passed back to the client for resolution.

If the legislation succeeds in driving down late payment culture, recovery firms could also find themselves working on much more complex referrals, as more straightforward payment issues are resolved without need for referral. Complex cases can be time and resource intensive, which may require commercial debt recovery firms to review their business models. Those cases will also place more emphasis on reliable data and strong evidence, which could necessitate more robust due diligence and onboarding processes with clients.

2. Strengthening the Small Business Commissioner

The Commercial Payments Bill is also expected to bring about radical change to the role of the Small Business Commissioner. The Office of the Small Business Commissioner was created under the Enterprise Act 2016. It operates as an independent public office focused on payment disputes between small businesses and larger customers.

It has generally sought to positively influence payment practices in the UK through guidance, signposting, developing initiatives such as the Fair Payment Code[8], and considering individual complaints about unpaid invoices. It also provides support to businesses with practical tools, such as an interest calculator to help small businesses understand the interest and compensation they may be entitled to. However, the Commissioner has historically had limited enforcement powers, which has inhibited its ability to change poor payment behaviours.

Under the proposals set out in the Commercial Payments Bill, the Commissioner is expected to play a more prominent role in shaping payment practices across the market. The Government's proposed reforms would make the Commissioner a more central part of the late payment enforcement landscape, granting it powers to investigate larger businesses suspected of persistent poor payment practice, adjudicate payment disputes outside the court process, make binding interim decisions, require improvements, and, where appropriate, impose financial penalties.

It would also encourage stronger reporting expectations for large businesses, including greater board or audit committee accountability where payment performance remains poor.



What could this mean for commercial debt recovery?

A strengthened Small Business Commissioner could play a critical role in tackling poor payment practices.

It should provide greater oversight of commercial payment practices and establish clearer expectations across all businesses.

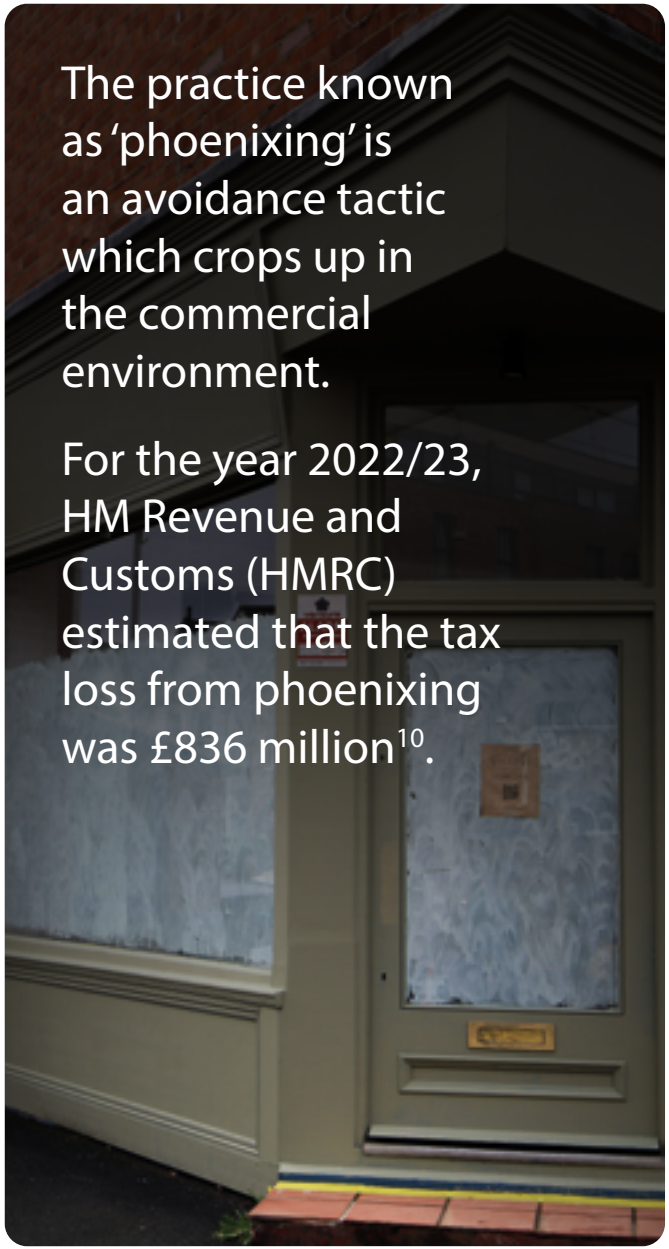
Empowering the Commissioner to intervene in certain circumstances should equally strengthen the hand of those businesses that are not being paid – and the commercial debt recovery firms acting on their behalf – to demand repayment, with frequent non-payers not just at risk of litigation but also regulatory action.

The success of the proposals will be contingent on the Commissioner demonstrating a willingness to take action, not to mention creditors maintaining robust evidence to support any necessary investigation and / or escalation.

Should the changes succeed in delivering stronger oversight, commercial debt recovery firms may also have an important role to play in contributing to the Commissioner's work, both in terms of identifying persistent poor payers and in highlighting emerging issues and trends.

8. Small Business Commissioner: Fair Payment Code (accessed August 2026)

3. Emerging and enduring debt avoidance tactics



Delaying and avoidance tactics remain a persistent challenge across both the consumer and commercial recovery environment. The strategies employed may vary in nature but ultimately have one common goal – frustrating or preventing the recovery process. In our 2025 paper on misinformation[9], we looked at some of the common examples seen in consumer recovery. Of late, members have reported growing use of similar tactics in commercial debt recovery too, including vexatious complaints, references to irrelevant law, and misuse of the legal process.

While most firms are now accustomed to these strategies and have developed their own approaches to managing them, this remains an area where more needs to be done. Regulators and Government must clamp down on the misinformation that drives these efforts, they must strengthen the accountability for those hosting misinformation, and they must close the loopholes that these tactics so frequently seek to exploit.

Tackling this now is even more important with the rise in both use and availability of generative artificial intelligence (AI) tools, making it easier than ever for misinformation to appear legitimate. While on the surface the complaints these tools generate may appear plausible, beneath the surface there are errors, reliance on misinformation, and complaints with little merit – particularly if the underlying prompt was to produce something to delay, rather than raise a genuine concern.

The practice known as 'phoenixing' is an avoidance tactic which crops up in the commercial environment. This is where a company enters insolvency only for a similar business to reappear shortly afterwards, often with related directors, assets or trading activity. While not every business failure is improper, there are clear examples of this practice being used to avoid payment of tax and debts. For the year 2022/23, HM Revenue and Customs (HMRC) estimated that the tax loss from phoenixing was £836 million[10].

Safeguards exist to deter and respond to phoenixing (e.g. restrictions placed on directors, disqualification from being a director), but the Government must consider what more can be done to tackle poor practices.

9. Credit Services Association: Misinformation: addressing and preventing consumer harm (November 2025)
10. UK Parliament: Question for HM Treasury from Lord Bourne of Aberystwyth (answered 20 January 2026)

What could this mean for commercial debt recovery?

It is inevitable that there will be non-payers who are drawn in by misinformation or who look to exploit loopholes to avoid their liabilities. As such, many firms will continue to adapt their strategies and communications to reflect evolving approaches to avoidance tactics and emerging misinformation.

Where these are particularly problematic, it is hoped that a strengthened Small Business Commissioner could take a more proactive position and support SMEs and the recovery firms acting on their behalf to tackle the most common examples.

Businesses of all shapes and sizes will need to establish an effective and proportionate response to the increasing use of AI in communications. This is a challenge that goes far beyond the collections sector – even regulators themselves are encountering this particular problem and are yet to develop a satisfactory solution.

On phoenixing, strengthening powers to tackle the practice should improve the recoverability of debts if it limits the ability of bad actors to evade their liabilities.

But, as with enhancing the powers of the Small Business Commissioner, the effectiveness of these changes is contingent on measures being appropriately enforced. With historic tax losses in the hundreds of millions, it is in the Government's interests to explore what more can be done to address the issue. A full review of the economic cost and the gaps that allow the practice to persist would be a worthwhile exercise for the Government.

As long as the problem remains, there will be a demand for the services of those with experience and expertise in identifying and addressing the practice.

Collections firms that have developed their capabilities to analyse debtor behaviour for common phoenixing indicators, for example, or who are equipped to support creditors in preserving key evidence, will be of particular value to those left with unpaid debts from a business suspected of phoenixing.

4. Litigation: an expensive barrier?

For many commercial creditors, the cost, delay and complexity of pursuing debts through the courts is prohibitive. Many CSA members will be familiar with cases where a debtor business is already in serious financial difficulty, has entered administration or liquidation, or is close to insolvency by the time legal escalation is being considered. In those circumstances, even though the creditor may have a valid contractual claim, it will still face difficult decisions about whether issuing proceedings is economically sensible.

Court fees alone can be material. Our 2025/26 member figures tell us the average commercial debt among CSA members is around £3,000; issuing a money claim in England and Wales between £3000.01 and £5,000 carries a civil court fee of £205[11]. A claim just over £5,000 attracts a £455 issue fee—more than 9% of the sum being pursued—, while claims above £10,000 and up to £200,000 attract an issue fee of 5% of the claim value before any further hearing, application or enforcement costs arise.

While there is scope for recovering costs in commercial debt litigation, for smaller businesses, the upfront costs can ultimately act as a deterrent, even where the debt is genuine and well evidenced.

The litigation process can also place a heavy administrative burden on creditors and recovery firms, in terms of establishing a strong evidential position, collating all necessary documentation, ruling out any unresolved disputes and complying with appropriate pre-action protocols.

This can be further complicated where the debtor business challenges or frustrates the process. And, for many, even obtaining judgment may not resolve the matter if further enforcement steps are needed, such as charging orders or insolvency action. With further action can come further costs, although these can vary and, in some cases, costs may be recoverable from the debtor business rather than payable by the creditor. For example, transferring a judgment to the High Court for enforcement can limit the creditor's additional outlay, with fixed enforcement fees set out in regulation and recoverable from the debtor.

For a creditor holding judgment against a business that is still trading, this may in fact be a cost-effective route to recovery, and recovery firms that understand when and how to use it add real value for their clients. There are some limitations to the types of judgment that can be transferred to the High Court for enforcement, so this may not always be an option.

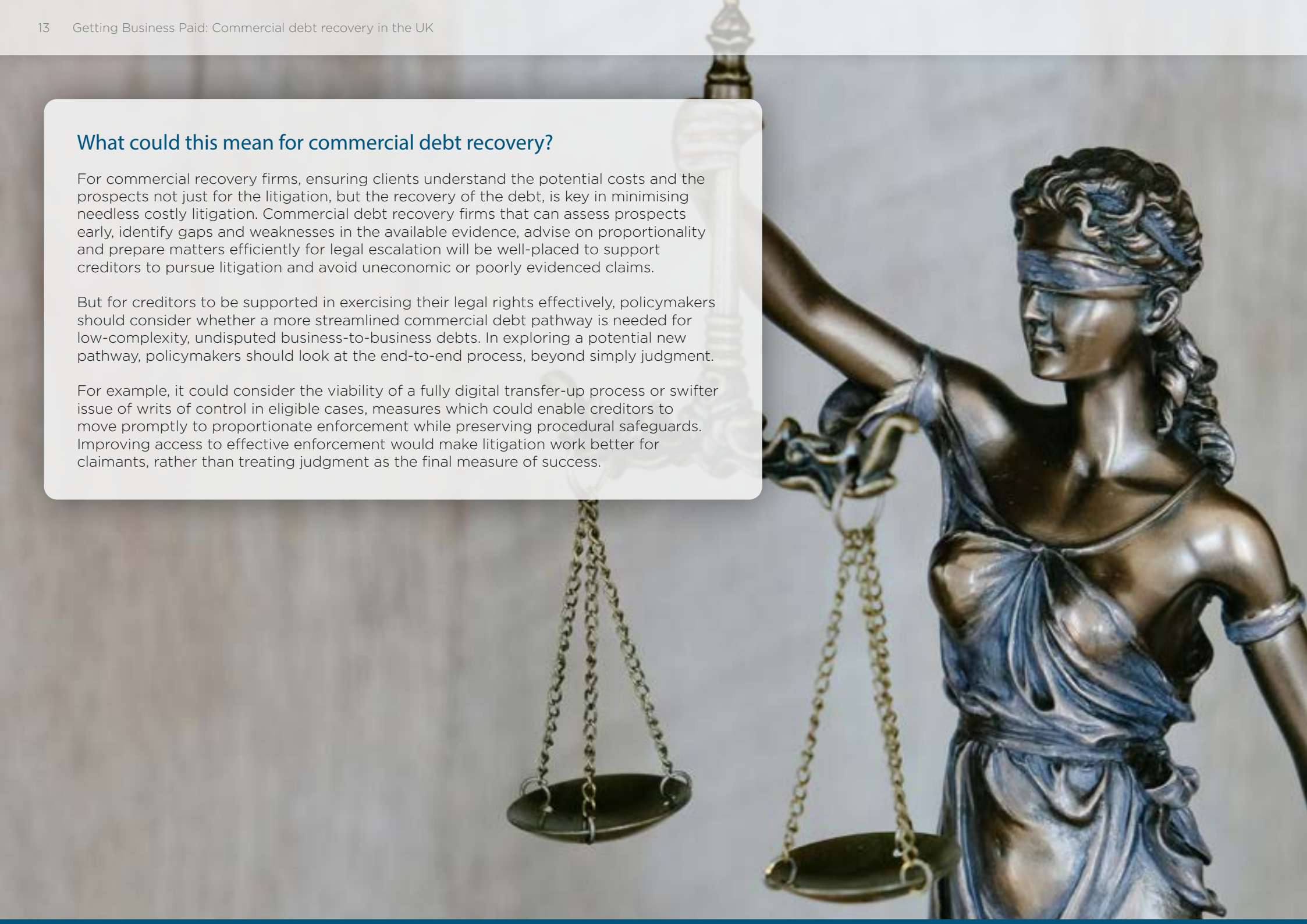
Ultimately, the issue is not so much that creditors lack legal remedies; it is that those remedies can be too slow, too costly or too uncertain to provide a practical route to recovery, particularly where the debtor's financial position is deteriorating quickly.

Court fees based on claim amount

Figure 4: Court fees required for civil money claims, based on claim amount

Claim amount	Fees
Up to £300	£35
£300.01 to £500	£50
£500.01 to £1000	£70
£1,000.01 to £1,500	£80
£1,500.01 to £3,000	£115
£3,000.01 to £5,000	£205
£5,000.01 to £10,000	£455
£10,000.01 to £200,000	5% of the claim
More than £200,000	£10,000

11. UK Government: Make a court claim for money: fees (accessed August 2026)



What could this mean for commercial debt recovery?

For commercial recovery firms, ensuring clients understand the potential costs and the prospects not just for the litigation, but the recovery of the debt, is key in minimising needless costly litigation. Commercial debt recovery firms that can assess prospects early, identify gaps and weaknesses in the available evidence, advise on proportionality and prepare matters efficiently for legal escalation will be well-placed to support creditors to pursue litigation and avoid uneconomic or poorly evidenced claims.

But for creditors to be supported in exercising their legal rights effectively, policymakers should consider whether a more streamlined commercial debt pathway is needed for low-complexity, undisputed business-to-business debts. In exploring a potential new pathway, policymakers should look at the end-to-end process, beyond simply judgment.

For example, it could consider the viability of a fully digital transfer-up process or swifter issue of writs of control in eligible cases, measures which could enable creditors to move promptly to proportionate enforcement while preserving procedural safeguards. Improving access to effective enforcement would make litigation work better for claimants, rather than treating judgment as the final measure of success.

5. Improving business data

Addressing data gaps is likely to play an important role in effective commercial debt recovery over the next few years. A number of reforms are moving in the same direction: improving the quality of Companies House data, strengthening business reporting expectations, and expanding the range of commercial credit data available to lenders, suppliers and recovery firms. Taken together, these changes should create a richer and more reliable picture of a business debtor's identity, ownership, trading activity, financial health and payment behaviour.

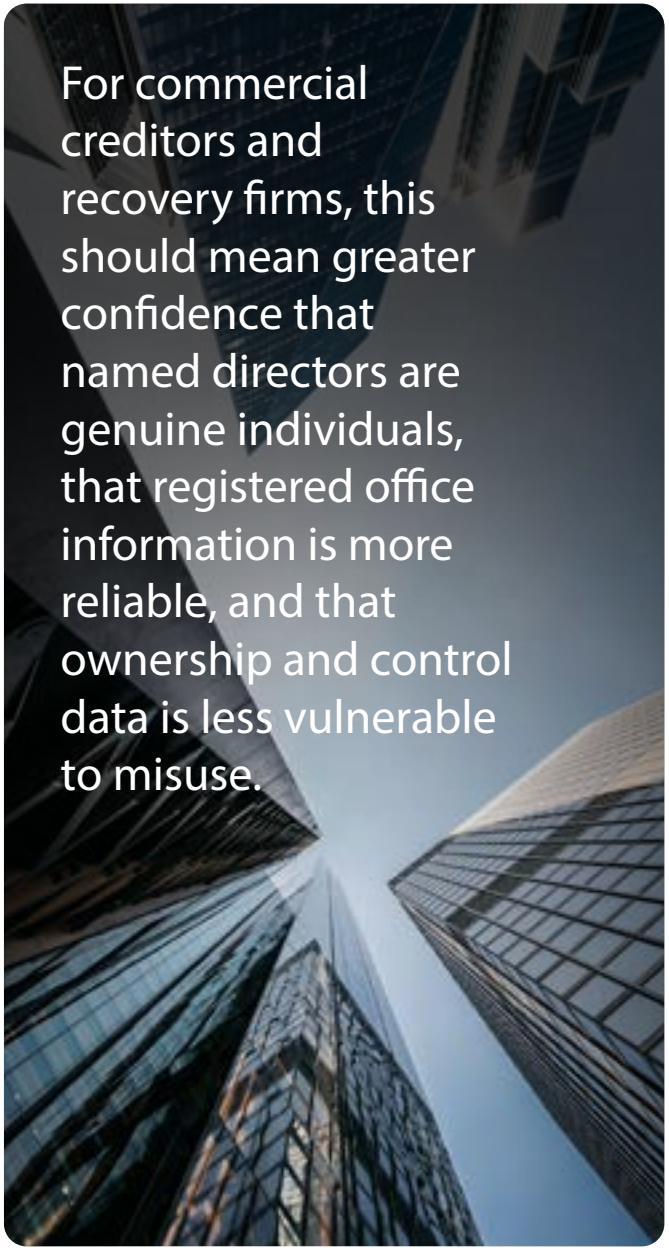
The Economic Crime and Corporate Transparency Act (ECCTA)[12] is central to this shift. ECCTA gives Companies House stronger powers to query, reject and remove inaccurate information and introduces identify verification for directors, persons with significant control and those filing information. For commercial creditors and recovery firms, this should mean greater confidence that named directors are genuine individuals, that registered office information is more reliable, and that ownership and control data is less vulnerable to misuse.

This could prove to be key in debt recovery, as commercial cases are far more complicated where the debtor's corporate identity is opaque, directors are hard to trace, connected companies are unclear, or phoenixing is suspected. Better verified Companies House data will enhance much of the support and investigatory work that is often needed prior to recovery, such as director tracing and site visits. It will also aid in identifying other relevant information, such as any successor entities or group structures, serial directorships or other linked companies.

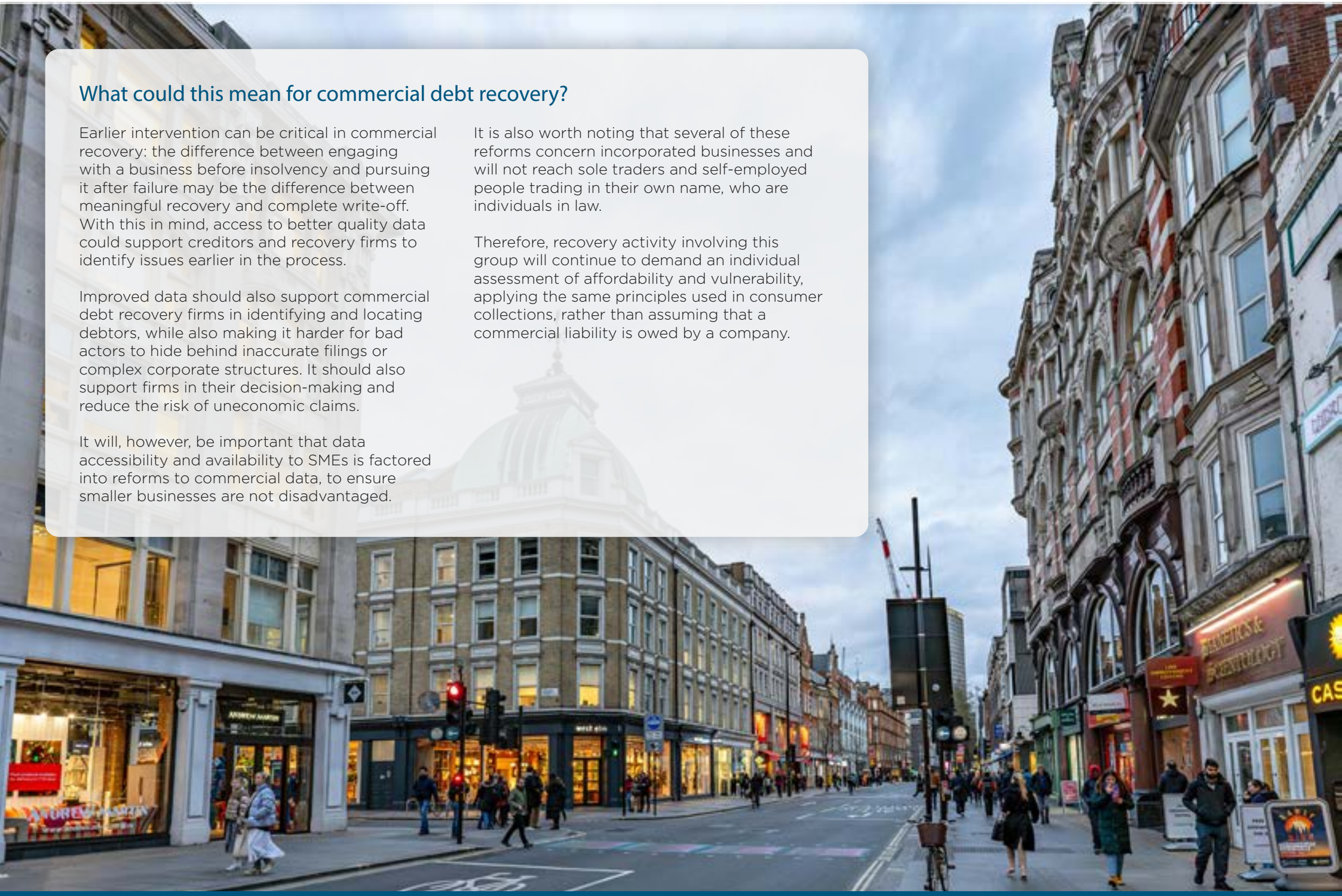
In May 2026, HM Treasury published the outcome of its consultation on Commercial Credit Data Sharing[13], setting out plans to improve the quality and coverage of commercial data. Enhanced commercial credit reporting should improve visibility of a firm's broader financial position, including payment performance, borrowing, court judgments, and insolvency indicators. This could aid creditors and recovery firms in better predicting potential issues. Rather than waiting until an account is seriously overdue, creditors and recovery firms may in future be able to identify issues at an earlier stage e.g. increasing non-payment, growing reliance on credit.

The value of improved data will also depend on its accessibility and availability to those parties who need it. Policymakers should therefore consider how data quality improvements can be matched by fair and affordable access.

Despite positive steps, there remain gaps in commercial data, such as personal guarantor indebtedness levels and it would be helpful for the Small Business Commissioner to give some consideration to how this could be captured. For example, currently, firms get a limited financial picture of a personal guarantor, especially in respect of other personal guarantees and the overall financial commitment they have personally made, which can lead to over-indebtedness for the guarantor and difficulties for the creditor in exercising guarantees.



12. Companies House: Economic Crime and Corporate Transparency Act: outline transition plan for Companies House (accessed August 2026)
13. HM Treasury: Commercial Credit Data Sharing and Bank Referral Scheme (accessed July 2026)



What could this mean for commercial debt recovery?

Earlier intervention can be critical in commercial recovery: the difference between engaging with a business before insolvency and pursuing it after failure may be the difference between meaningful recovery and complete write-off. With this in mind, access to better quality data could support creditors and recovery firms to identify issues earlier in the process.

Improved data should also support commercial debt recovery firms in identifying and locating debtors, while also making it harder for bad actors to hide behind inaccurate filings or complex corporate structures. It should also support firms in their decision-making and reduce the risk of uneconomic claims.

It will, however, be important that data accessibility and availability to SMEs is factored into reforms to commercial data, to ensure smaller businesses are not disadvantaged.

It is also worth noting that several of these reforms concern incorporated businesses and will not reach sole traders and self-employed people trading in their own name, who are individuals in law.

Therefore, recovery activity involving this group will continue to demand an individual assessment of affordability and vulnerability, applying the same principles used in consumer collections, rather than assuming that a commercial liability is owed by a company.

6. Strengthening commercial government debt recovery

Recent years have seen Government invest considerably in improving its capability to recover unpaid taxes, whether in increasing its staff count, better utilising cross-government data, or procuring the services of debt recovery experts. In early 2026, Josh MacAlister, Parliamentary Under-Secretary of State for Education, responded to a Parliamentary Question[14] regarding debt recovery outsourced by the Student Loans Company, advising that, on average, collection agencies "deliver a return on investment of £5 for every £1 spent". This level of return on investment makes a strong case for further investment into external recoveries.

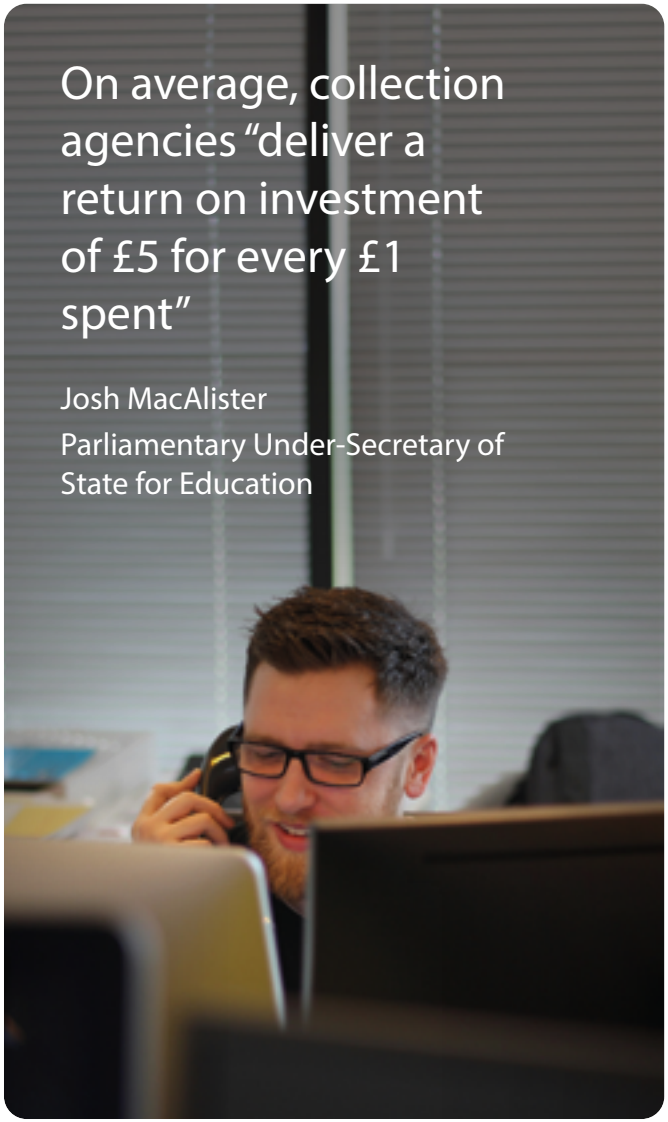
Government already places debt with specialist recovery firms, so there is a clear opportunity to build on existing practice, without the need to necessarily create an entirely new outsourcing model. The Government Debt Management Strategy 2026–2030, '**Prevent. Resolve. Improve.**', sets the direction for central government collections through preventing avoidable debt, resolving debt fairly and strengthening data, skills and technology.

The returns reported by the Student Loans Company and CSA members' experience of commercial recovery support further discussion between Government and the sector about where specialist capability could add value. That discussion could cover established small business tax debts, including VAT and PAYE/NIC arrears, and Covid loan scheme recoveries.

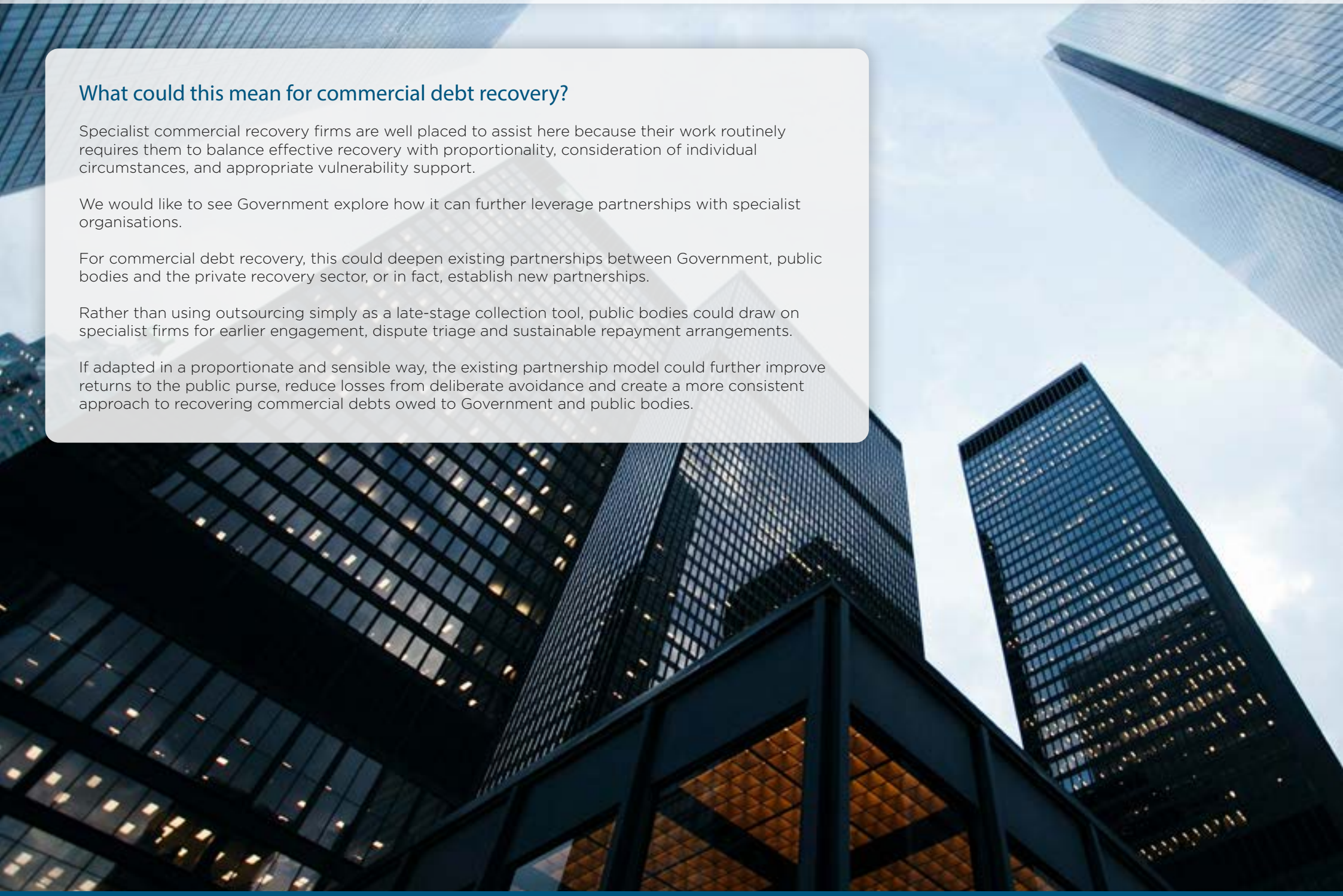
Support need not be limited to recoveries. For example, with business rates, where liability orders and enforcement agents already form part of the recovery framework, the opportunity may lie earlier in the process, before a summons: specialist firms could support engagement, clarify disputes and help viable businesses agree affordable repayment arrangements, rather than duplicate existing enforcement provision.

Were Government to take a more assertive approach to recovering unpaid small business taxes and other commercial liabilities, it would need to keep in mind that many businesses are already operating under acute cost pressure, so any visible increase in enforcement activity could attract criticism if it is perceived as heavy-handed or insensitive to genuine financial distress. That does not mean Government should avoid recovery: it means recovery activity must be well targeted, evidence-led and supported by clear safeguards.

Several effective safeguards and good practices already exist elsewhere in public sector debt recovery partnerships, and these could be incorporated into any similar partnerships focused on commercial recovery. For example, agreeing affordability, vulnerability and dispute-handling standards at the outset will ensure all parties are on the same page. Part 5 of the Digital Economy Act 2017[15] sets conditions for the disclosure of information in aid of reducing debt owed to the public sector; establishing lawful data sharing arrangements under the Act will ensure firms can be as effective as possible. This kind of data sharing is also subject to standards set in a relevant Code of Practice[16] which, among other things, requires fairness of data sharing to be considered. Finally, it is crucial that performance is assessed against not just cash recovered, but against customer outcomes, to ensure poor practices are not being incentivised.



14. UK Parliament: Question for Department for Education from Rupert Lowe (answered 8 January 2026)
15. Digital Economy Act 2017 (accessed August 2026)
16. UK Government: Code of Practice for public authorities disclosing information under Chapters 1, 3 and 4 (Public Service Delivery, Debt and Fraud) of Part 5 of the Digital Economy Act 2017 (accessed August 2026)



What could this mean for commercial debt recovery?

Specialist commercial recovery firms are well placed to assist here because their work routinely requires them to balance effective recovery with proportionality, consideration of individual circumstances, and appropriate vulnerability support.

We would like to see Government explore how it can further leverage partnerships with specialist organisations.

For commercial debt recovery, this could deepen existing partnerships between Government, public bodies and the private recovery sector, or in fact, establish new partnerships.

Rather than using outsourcing simply as a late-stage collection tool, public bodies could draw on specialist firms for earlier engagement, dispute triage and sustainable repayment arrangements.

If adapted in a proportionate and sensible way, the existing partnership model could further improve returns to the public purse, reduce losses from deliberate avoidance and create a more consistent approach to recovering commercial debts owed to Government and public bodies.

7. AI: Friend or foe?

Our understanding and approach to AI technology is still in its relative infancy. Research, consultation, analysis, testing are all being undertaken by governments and regulators around the world, but a consistent position is yet to emerge. The European Union has developed legislation; the UK is currently relying on existing regulation and legislation to provide guardrails; the US has adopted a similar approach but is more fragmented as states progress their own legislation. This is further complicated by the fluctuating financial picture for many of the major providers, not to mention the legal uncertainties that are yet to be tested. All of which means that we are still in the relatively early days of the adoption of this technology and everything could change in an instant.

Nevertheless, every organisation in the world is grappling with the same challenge posed by the rapid growth in artificial intelligence technology – how to effectively leverage the technology without being replaced by it.

Inevitably, firms across the debt recovery sector are exploring how the technology can be used to enhance their service, to simplify processes, to increase productivity, all while reducing overheads. Many uses have already been identified and adopted – larger-scale quality assurance, reduced administrative burden for front-line staff – with others on the horizon. The technology could play an essential role in mitigating frequently tighter margins in the recovery sector. On the other hand, AI may empower some creditors to automate more of their in-house credit control activity and reserve outsourcing for the most complex, high-value or contentious cases.

AI also amplifies the risk posed by misinformation, making it far easier for incorrect information to appear legitimate. This can drive meritless complaints or misunderstood disputes, which could be further prolonged because there is limited accountability for either the AI solutions providing inaccurate information or the host platforms from which the information has been sourced.



What could this mean for commercial debt recovery?

AI brings significant opportunity to the debt recovery sector. We are already seeing it adopted to improve back office administration and there are firms exploring how the technology could be used to manage interactions with those in debt. Leveraging the technology to deliver efficiencies and a better service is crucial in minimising the risk posed by a wholesale AI recovery solution.

However, if AI solutions are seen by businesses as a more cost-effective first placement option, this could significantly change the profile of work entering the professional recovery sector. Recovery firms will not only need to effectively leverage AI technology to ensure their business proposition is suitably attractive, they will also need to be able to work with existing and prospective clients to determine the most effective solution for their circumstances, whether that be using technology, a human-led approach, or a combination.

If Government and regulators do not act to tackle the growth of misinformation, recovery firms will continue to be burdened with irrelevant correspondence, misinformed and baseless complaints, and claims without merit. Allowing the problem to continue will have several knock-on effects, including increasing complaint volumes for regulatory and adjudicatory bodies and an even more challenging case backlog for the Courts that face rising numbers of meritless claims.

While AI providers may not be responsible for the misinformation, they are aiding in its proliferation and – in the long run – it will end up damaging trust in their own product, so it is in their interests too that more is done to tackle the issue.

8. Closing the gaps in commercial financial literacy

Research[17] carried out as part of the Money Advice Trust's (MAT) work on its Building Up Business programme showed the alarming state of financial and commercial literacy.

Their research found that many Business Debtline clients, a significant proportion of whom are sole traders and self-employed individuals, lacked confidence in key areas: 53% were not confident in calculating the amount of tax they owe, 50% were not confident understanding the terms of business loans and finance, 43% were not confident constructing a business plan, and 37% were not confident calculating cash flow and profits.

For sole traders and self-employed people, whose business and household finances can be closely connected, these figures are particularly worrying. It also reinforces the requirement that these particular groups be treated as individuals and receive the same attention to affordability and vulnerability as consumers.

The CSA has in recent years highlighted the need to improve adult financial literacy, particularly that of people in or at risk of financial difficulties. But it is apparent that any adult financial literacy initiative must also consider how business owners are supported in navigating the complexities of running a business.

Improving commercial financial literacy should be seen as part of the wider late payment and recovery agenda. Better financial capability, accessing advice earlier and stronger business administration should reduce the number of debts that reach late-stage recovery.

It would also support more constructive engagement where non-payment is driven by poor administration, lack of understanding or emerging financial difficulty rather than deliberate avoidance. Recovery firms, creditors and even trade bodies could play a useful role by signposting small business owners to credible sources of free support where financial difficulty or weak business administration appears to be a driver of non-payment.

The Money Advice Trust's work supports this preventative focus. Building Up Business[18] is designed to improve small business owners' confidence and capability in a range of key areas such as tax, trading status, and cash flow. It provides free virtual training to small businesses across the UK and is the kind of educational initiative that is key to changing the direction on problem debt.

Business Debtline clients lacking confidence in key business finance tasks

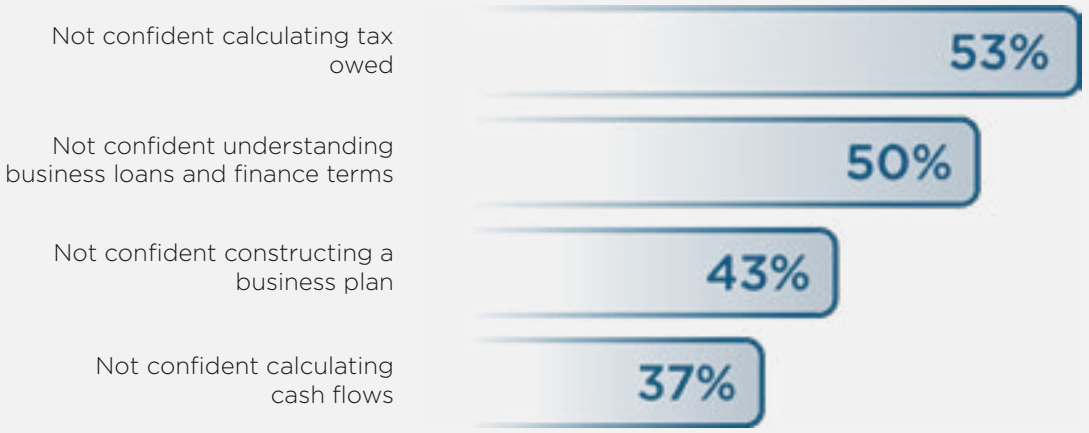


Figure 6: MAT research shows Business Debtline clients lack confidence in various areas of finance, Money Advice Trust research

17. Money Advice Trust: Building Up Business: Closing the small business finance skills gap (March 2025)
18. Building Up Business website and training materials (accessed July 2026)



What could this mean for commercial debt recovery?

As long as there remains a major gap in financial literacy and education across the UK, the more we will see preventable business failures and growing susceptibility to misinformation. Government has taken positive steps to improve financial education for children and young adults, but it must also build on that work and introduce appropriate financial education and support for adults. While our focus is on debt, we do not believe it should be limited to that area; people need an education not just in managing debt but also in building up their finances and putting them to the most effective use, especially when the impact of business decisions can have a ripple effect across other businesses and people.

Poor financial literacy inevitably makes engagement much more challenging and can increase susceptibility to misinformation. In the current environment, commercial debt recovery firms need to be well-equipped to explain and articulate sometimes complicated financial issues. They also need to be adept at spotting circumstances where weak financial literacy might be a contributing factor to non-payment so that they can adapt their communications and strategy accordingly, to ensure engagement is as effective as possible

The training available as part of MAT's Building Up Business programme might be of value to commercial debt recovery firms and creditors in their engagement with those in debt. They might find it helpful to consider whether these materials could support those they encounter in their recovery work. Equally, the free training materials might also be of benefit to their own internal education programmes, potentially supporting their own staff in improving their own awareness and in understanding the knowledge gaps they may encounter with those in debt.

Conclusion and recommendations

The world of commercial debt recovery faces several significant developments in the coming years. Many of these changes have the potential to drive a healthier commercial payment culture and strengthen the ability of creditors (and those acting on their behalf) to recover unpaid debts in an effective and efficient way. New legislation, investment in debt recovery and improvements to commercial data all signify that the Government is aware of the need to do more in this area, particularly as the cost-of-living crisis continues to bleed across to the commercial world.

With billions in unpaid debts and late payments, there is clear value in investing more time, resource and capital in this area. It is not just the financial value, but the societal value in keeping businesses afloat and people employed, and in educating business owners so that they can more confidently navigate the complexities of running a business.

There is no silver bullet for debt resolution – it is a series of effective and efficient changes that bring us ever closer to responsible payment practices, timely repayment, and fewer businesses on the brink. Alongside the developments discussed in this paper, here are some others we think could bring further improvement to the management of commercial debt in the UK.



1. Embed stronger payment discipline through the Commercial Payments Bill

Government should ensure that the Bill creates clear incentives for prompt payment, including meaningful expectations around payment terms, dispute handling and the application of statutory interest.

Creditors should be encouraged to maintain clearer contractual records, invoice trails, dispute evidence and pre-action engagement records so that recovery activity is fair, efficient and proportionate.

2. Review litigation fees and streamline the legal pursuit of clear commercial debts

Government should These represent a substantial upfront burden for a business seeking payment of an acknowledged or well-evidenced debt, and risks making the state a deterrent rather than a source of support.

Government, HMCTS and industry should also explore a faster, more proportionate pathway for low-complexity, undisputed business-to-business debts, including clearer digital evidence standards, reduced procedural duplication, faster default judgment where liability is clear, and more efficient enforcement routes once judgment has been obtained, including a fully digital transfer-up process and faster issue of writs of control in eligible cases.

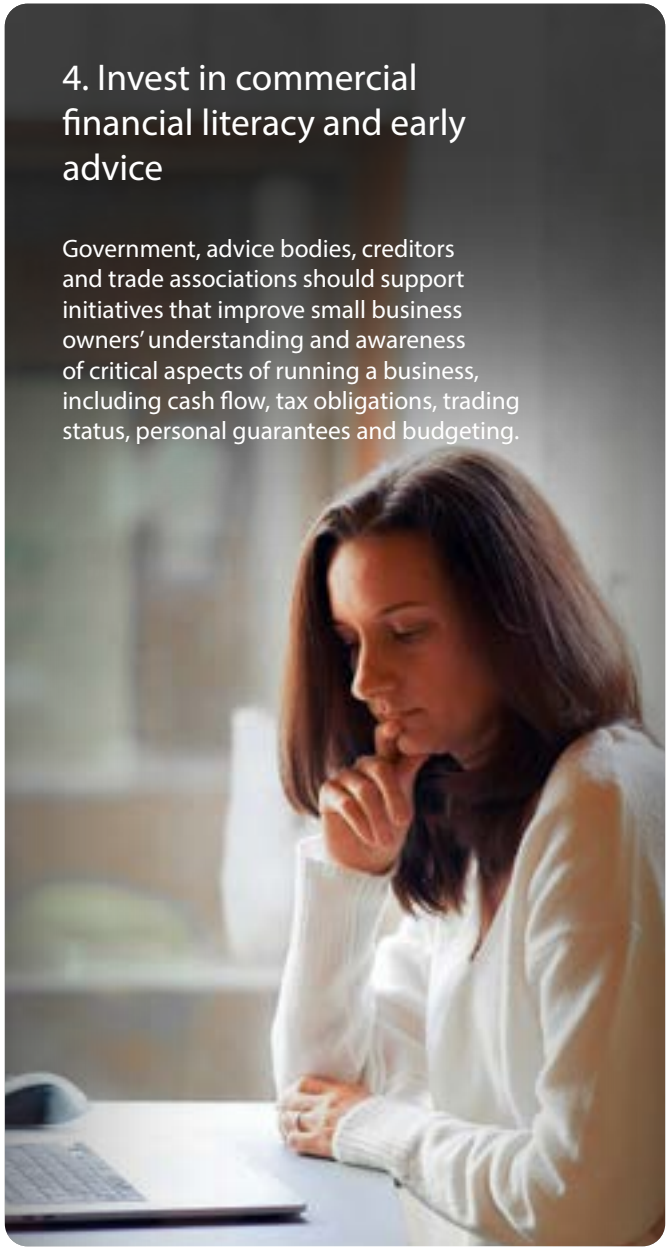
Conclusion and recommendations

3. Carry out an in-depth review into phoenixing and explore further measures to prevent misuse of insolvency protections

Government should undertake a detailed review of phoenixing and look at all options for tackling the practice.

This may include legislative change to close phoenixing loopholes; specific tests for successor businesses which go beyond similar name restrictions; developing clearer routes to pursue directors or controllers where there is clear evidence of abusing the system; clearer visibility of previous directorships or ownership of insolvent companies; and examination of how successor entities use claims of third-party ownership to defeat enforcement.

This would address the weakness in the current approach: late payment reforms help where a debtor remains solvent and trading, but do little where value is deliberately moved elsewhere while liabilities are abandoned.



4. Invest in commercial financial literacy and early advice

Government, advice bodies, creditors and trade associations should support initiatives that improve small business owners' understanding and awareness of critical aspects of running a business, including cash flow, tax obligations, trading status, personal guarantees and budgeting.

5. Strengthen measures to tackle misinformation

Regulators and Government must clamp down on the misinformation that drives avoidance and delaying tactics, and close the loopholes that these tactics so frequently seek to exploit.

They must strengthen the accountability for those hosting misinformation and implement measures to minimise the proliferation of misinformation across AI solutions.

Conclusion and recommendations

6. Explore public-sector partnership opportunities

Government should assess whether specialist commercial recovery capability could support more effective recovery of small business tax debt and other public-sector liabilities, while maintaining appropriate safeguards for fairness and proportionality.

7. Ensure fair access to improved commercial credit data

As reforms improve the quality of business data, policymakers should ensure that access is fair, affordable and viable for firms of all sizes. Improved data should not become the preserve of larger institutions: SME creditors and smaller recovery firms also need access to accurate, timely and usable information if the reforms are to support earlier intervention and more effective commercial debt recovery.



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