UK Invoice Finance Benchmark Report

2025/6

Prepared by Glenn Blackman, MBA of FundInvoice LLP

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About This Report

At FundInvoice LLP, we help UK companies secure invoice finance facilities that are both cost-effective and tailored to their needs. Over the last decade, we've conducted a series of independent studies on late payments, funding accessibility, pricing, and the challenges faced by SMEs. This **UK Invoice Finance Benchmark Report 2025/6** brings that research together in one place.

For business owners, it provides a means to compare their own experience against national benchmarks, whether that's how quickly they are paid, how much funding is accessible, or how much others are being charged. For advisers and journalists, it provides an evidence-based snapshot of the current market. Our goal is to provide clarity, identify areas for improvement, and highlight where better options may be available.

Glenn Blackman, MBA, Managing Partner, FundInvoice LLP

Executive Summary

UK Invoice Finance Benchmark Report 2025/6

Our 2025 research highlights that UK businesses continue to face severe cash flow pressures, with invoice finance often underused or misunderstood as a solution. By compiling data from our latest surveys and studies, we've created the most complete picture to date of how SMEs interact with cash flow and invoice finance.

Key Findings

UK Invoice Finance Benchmark Report 2025/6
Executive Summary

- **84% experience late payments**
- **84% would benefit from cash against invoices**
- **59% haven't heard of invoice finance**
- **Only ~1% use invoice finance**

Invoice finance costs swing by 87% between providers

Key findings include:

- Late payments remain endemic. **84% of surveyed UK businesses[1] had experienced late payments**. 11% of those affected reported an average of 31 days or more of additional credit being taken by customers beyond the agreed terms. These late payments put cash flow under strain, and the majority of **businesses that are not paid upfront say that they would benefit from funds being released from invoices** immediately (84%[4]).

- Only around ~1%[1] of the UK's 5.5 million businesses[2], approximately **55,000 firms, are thought to use invoice finance facilities**. This highlights both the limited penetration of the product and the significant growth potential that could result from improved awareness and accessibility.

- We currently list **84 distinct organisations[3] offering some form of invoice finance** in the UK. The number of providers grew in recent years with the arrival of new fintechs, challenger banks, and niche players alongside established banks and independents, but has since declined following acquisitions, market exits, and business failures. Independently verified average **customer ratings vary significantly**, ranging from 4.9/5.0 stars to 1.5/5.0 stars, supporting the case for customers to seek specialist broker support.

- Invoice finance is not well-known amongst UK businesses, **59% hadn't even heard of invoice finance**[4], reflecting a decline in awareness. However, once we explained it to them, **83% said they would recommend invoice finance** to other businesses with cash flow issues.

- UK businesses face an average **87% swing in invoice finance costs, depending on the chosen provider**. The average total cost of invoice finance (excluding BBR), as a percentage of annual turnover, was 0.90% for Invoice Discounting and 1.27% for Factoring, with a significant range of rates according to size and risk profile.

- Business confidence is fragile. In our 2025 survey of UK businesses[4], the three biggest challenges identified were:

    - Growing sales.
    - Economic uncertainty.
    - Cash flow and funding.

- Artificial Intelligence is emerging as a new tool, with **more than three-quarters of businesses stating that they are either using AI or exploring its application**[4].

The bottom line: UK businesses are still waiting too long to get paid, and many lack awareness of invoice finance as a potential solution. When they do access invoice finance products, charges and funding levels can vary significantly between providers, meaning that an ill-informed choice could result in substantial overpayment of fees.

Regular benchmarking against market data can reveal whether businesses are overpaying or missing out on better funding options. Existing product users should use these benchmarks to review their existing facilities and ensure they are not overpaying for these services.

Section 1: Market Overview

Product Terminology

Invoice finance is the umbrella term used in the UK for invoice factoring and invoice discounting facilities. Both services release advances, called prepayments, against outstanding sales transactions (invoices or applications for payment). Factoring includes the addition of a credit control service. Both factoring and invoice discounting are available, along with a range of additional options, including bad debt protection and specialist payroll management.

With both factoring and invoice discounting, there are product options to submit all your invoices (whole turnover) or just selected invoices (selective) for funding. These facilities can be provided in respect of sales to UK-based businesses and/or sales to debtors overseas (exports).

Providers often specialise in particular product offerings, client risk profiles or sectors, making the choice for potential users complicated.

Number Of Invoice Finance Users

Based on results from our recent survey[1], we estimate that **~1% of the UK's 5.5 million businesses[2], approximately 55,000 firms, use invoice finance** facilities. This highlights both the limited penetration of the product and the significant growth potential that could result from improved awareness and accessibility.

Number Of Invoice Finance Providers

We currently list **84 distinct organisations[3] offering some form of invoice finance in the UK**. The number of providers has grown in recent years with the entry of fintechs, challenger banks, and niche specialists alongside established banks and independent institutions. More recently, that figure has eased back as acquisitions, withdrawals and business failures have reduced the total.

The growth phase reflected rising demand for working capital solutions and the relatively low market penetration of invoice finance, which still leaves significant scope for expansion. Anecdotally, new entrants to the market often cited funding businesses via invoice finance as attractive compared with other lending products, in part because of the low risk profile: the funder has direct control over the asset that underpins the transaction, typically the debtor ledger of unpaid invoices.

This product class can also deliver competitive returns for funders when set against other forms of lending. Smaller, higher-risk clients can even offer proportionally higher margins, as the amount advanced is limited while the pricing reflects the additional risk.

Section 2: The Drivers Of Demand

There are two main drivers of demand for these products.

- **Improving cash flow**. Poor cash flow is often caused by offering customers a credit period or suffering late payment of invoices.
- **Financing growth**. As a business expands, the funds tied up in its growing sales ledger can be released to help fund that expansion.

Additionally, there is a strong market where these services are used to help finance business acquisitions. This can be achieved by leveraging the book debts of the target company to assist with raising the purchase price.

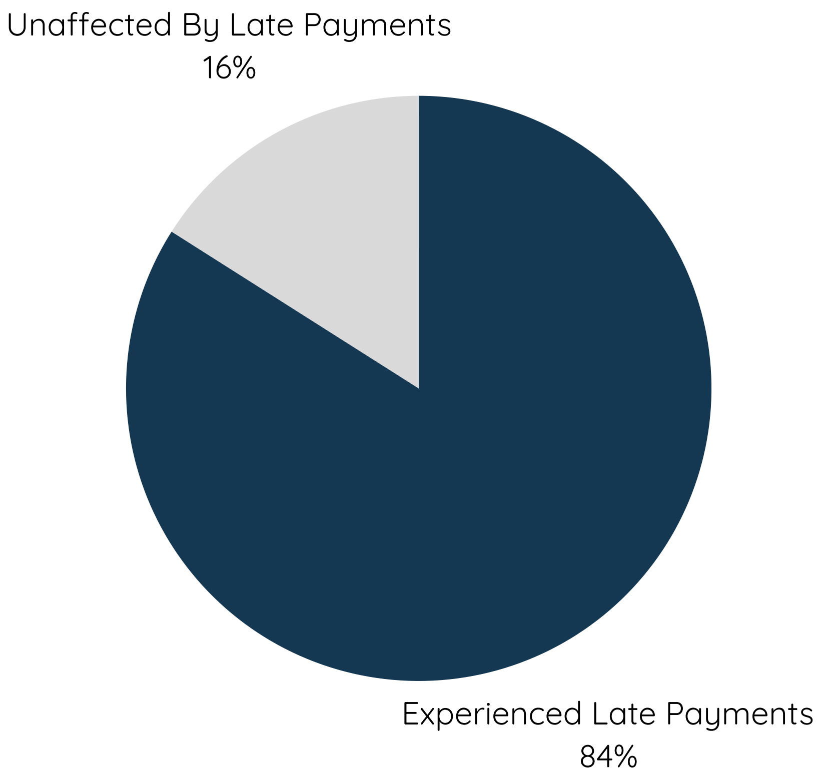
There is also a high demand from new startup businesses. They often fail to qualify for other forms of business finance, but are eligible for invoice finance as it is usually based on the strength of their debtor book.

Cash Flow Pressures Linked To Late Payments

A key driver of the need to use invoice finance is cash flow pressure from offering customers trade credit or from customers paying late. Our recent research[1] has found that late payment remains endemic, affecting a large number of UK businesses.

Our survey[1] of UK businesses found that:

- **84% of all respondents had experienced late customer payments**.



- 11% of respondents affected by late payments reported an average of 31 days or more, which customers took beyond the agreed-upon terms.

- 49% of all respondents had experienced an impact from late payments beyond just minor inconvenience. In some cases, regular cash flow pressures, delays in payments to suppliers and staff, or the need to decline new work.

In another survey[4] of UK businesses, we found that:

- 84% of respondents who were not paid up front **said they would benefit from funds being released from invoices immediately**.

The impact of offering credit terms and/or suffering the effects of late payments creates a clear credit gap that could be bridged by using invoice finance.

Cash Flow Pressures Linked To Growth

The top 3 concerns[4] facing UK businesses over the next year, during the remainder of 2025 and into 2026, were as follows:

- Growing sales (24% of responses)
- Economic uncertainty: (18% of responses)
- Cash flow and funding: (15% of responses)

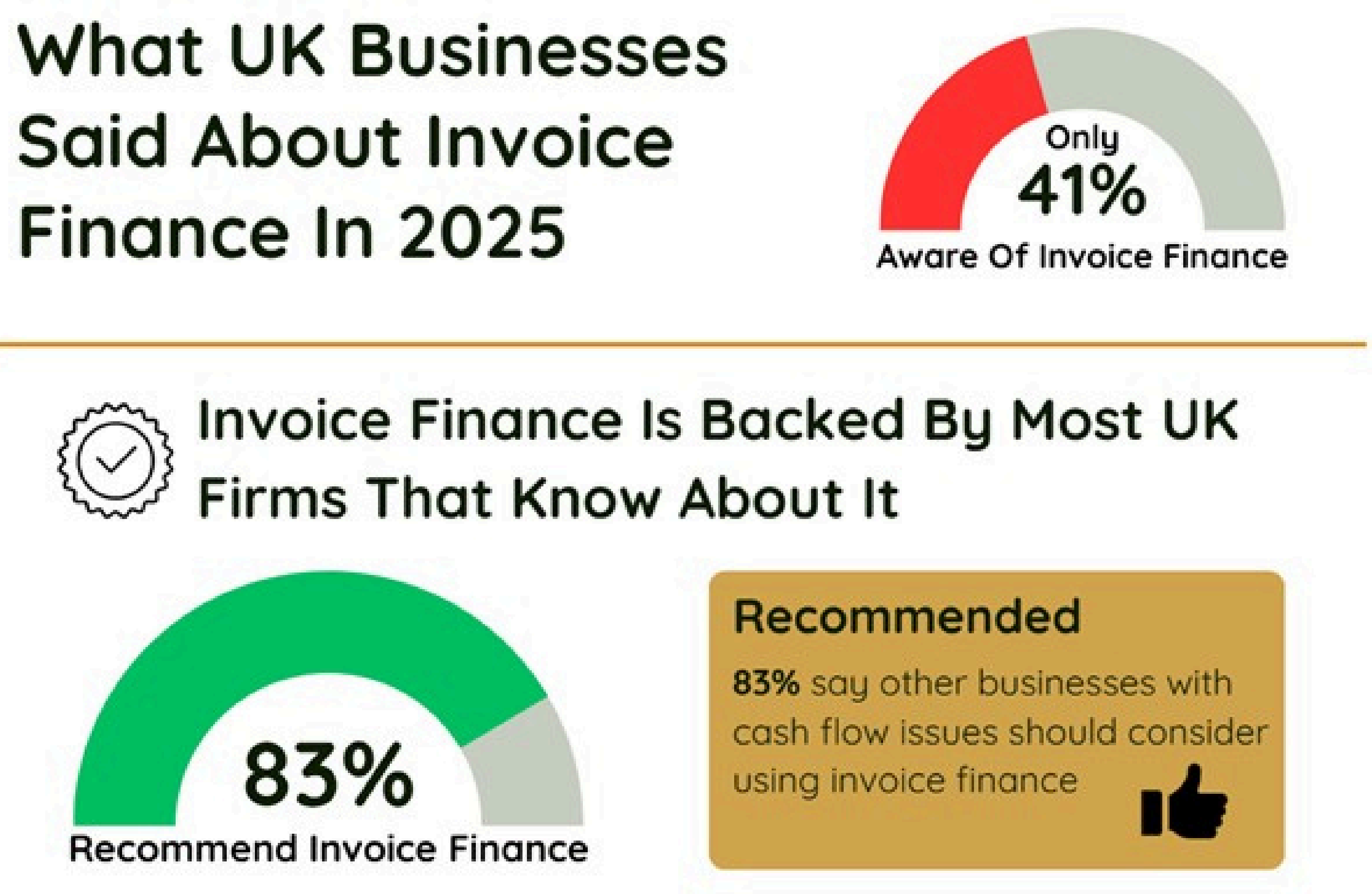
These findings demonstrate the close relationship between cash flow pressures and growth. Businesses that succeed in winning more sales often find their working capital stretched, as upfront costs such as wages, materials, and supplier payments rise before customer invoices are settled. When combined with wider economic uncertainty, this creates a funding gap that can limit the very growth companies are trying to achieve. This highlights the need for flexible finance to bridge the gap between winning sales and delivering against them.

Section 3: Product Awareness

Low Levels Of Product Awareness Are Supressing Uptake

Research[4] amongst UK businesses found that **59% hadn't heard of invoice finance**.

However, once we explained it to them, **83% said they would recommend invoice finance** to others with cash flow issues. This demonstrates that businesses recognise the benefits, but the lack of product awareness could be suppressing uptake.



In conclusion, while businesses clearly recognise the value of invoice finance once it is explained, the lack of awareness remains a significant obstacle, indicating that greater education and promotion are essential to drive uptake.

Section 4: Fees & Charges

Invoice finance fees are typically charged in 2 parts (in some cases, they are combined into a single charge):

- Service charge (Administration fee for discounting) - normally a percentage of turnover.
- Discount fee - a margin over the bank base rate charged against the funding drawn.
- Other charges - renewal fees and arrangement fees have been considered, but any other ancillary charges have not been included.

This section is based on an analysis of the quotes we have sourced for clients over the last 4 years. Fees for Bad Debt Protection have been removed, as has Bank Base Rate (BBR). The figures below include both the Service Charge and the Discount Charge and renewal fees (if applicable), but don't include any additional ancillary charges that might apply. In each case, we have estimated the cost of the quote based on projected turnover and anticipated funding levels.

The Range Of Fees Charged

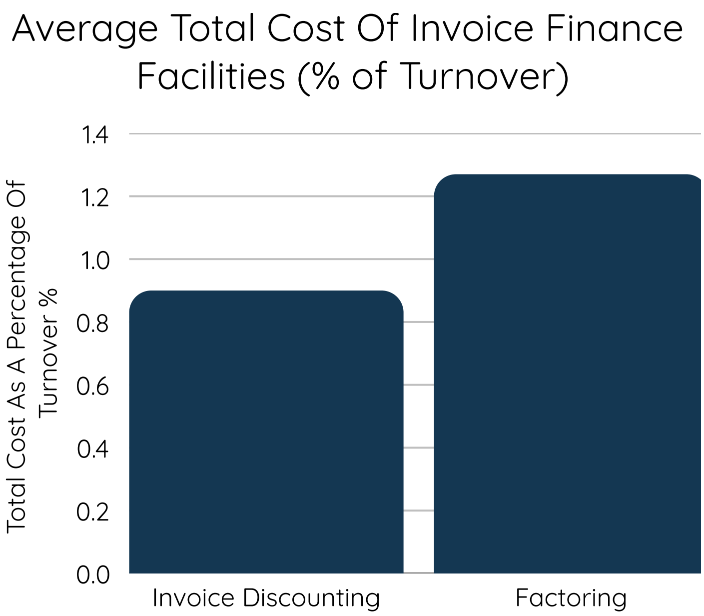
This was the range of fees quoted for each product:

	Service Charge or Administration Fee	**Discount Margin (over BBR)** Excluding quotes where there was no discount fee
Invoice Discounting	0.3% to 2.7%	2.25% to 3.25% over BBR
Factoring	0.5% to 3.5%	1.75% to 3.5% over BBR

Total Cost As A Percentage Of Turnover

The average total cost (service charge plus discount fees and any renewal fee - excluding bank base rate) as a percentage of annual turnover was as follows:

- Invoice Discounting - 0.90% of turnover (the range was 0.43% to 2.70%)
- Factoring - 1.27% of turnover (the range was 0.99% to 3.5%).



The differential is not surprising for two reasons. Firstly, factoring involves providing credit control in addition to funding, which requires more work from the provider. Secondly, the average size of invoice discounting customers tends to be higher, so finer rates may be commanded.

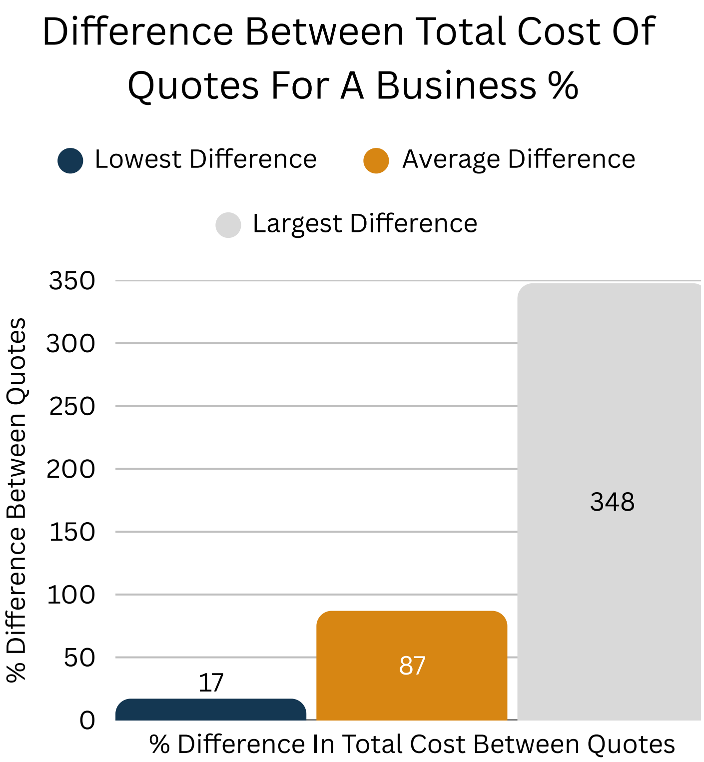
If the Bank Base Rate is assumed to be 4% this would increase the average total costs as a percentage of turnover to 1.23% for invoice discounting and 1.70% for factoring.

Bad Debt Protection Element (BDPE)

The additional fee for adding bad debt protection to a facility ranged from 0.3% to 0.8% of turnover, and 46% of the businesses served opted for this additional cover.

Differences Between Quotes

For each business, we compared the lowest cost quote with the most expensive. On average, we found an **87% swing between the cheapest and most expensive quotes** across all products.



The swing in pricing for invoice discounting quotes was significantly greater than that for factoring quotes.

Arrangement Fees

In **54% of quotes, the provider added an arrangement fee**.

On average, in those cases where it was charged, the arrangement fee was **equivalent to 3.03% of the estimated total annual cost** (excluding BBR and BDPE).

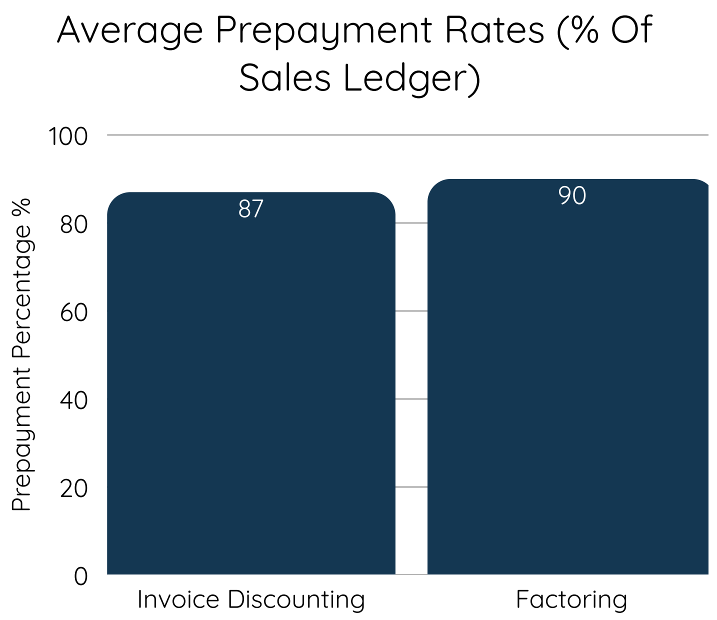
Section 5: Advance Rates & Funding

Average Advance Rates

Prepayment rates averaged 88% of the sales ledger value across all invoice finance products.

The averages by product were as follows:

- Invoice Discounting - 87% of turnover (the range was 80% to 95%)
- Factoring - 90% of turnover (the range was 85% to 100%).



These suggest a slightly more liberal funding level for factoring facilities, likely reflecting the additional level of control the funder has when handling credit control and interacting with debtors.

Section 6: Service & Satisfaction

Customer Ratings

A relatively modest subset of the complete list of UK providers had verified customer reviews on independent platforms. **Average ratings from these providers ranged from 4.9/5.0 stars down to 1.5/5.0 stars** (note that in some cases, other types of product reviews may be included).

This reflects the broad spectrum of service levels across the market and supports the role of sector-specific brokers in helping customers make informed decisions when selecting a provider.

Section 7: Sector Insights

Sectors Using Invoice Finance

Invoice finance is broadly applicable to most businesses that sell to other businesses on credit terms. However, there are some sectors that appear to use this type of funding more frequently than other businesses.

In previous research[5], we estimated that c. **17% of recruitment companies were using invoice finance**, which is significantly higher than the ~1% general level of uptake. This is often driven by the need to pay substantial staff costs, and some specialist providers focus on this sector.

Other sectors, such as manufacturing, services, and transportation, are regular users of invoice finance. There are also specialist services supporting the construction sector and car crash body repair firms.

Section 8: Emerging Trends

Technology and AI Integration

Artificial intelligence is beginning to play a visible role in the invoice finance industry. Many providers are testing AI-driven credit assessment and fraud detection tools, while businesses themselves are increasingly using AI to forecast cash flow. Our 2025 survey[4] found that more than three-quarters of UK businesses are either using AI already or exploring its potential applications. This suggests that invoice finance may soon be delivered and managed in ways that are faster, more automated, and more tailored to individual risk profiles.

Rise of Selective and Digital Platforms

Selective invoice finance and online funding platforms continue to gain traction. These options appeal to businesses that want greater flexibility or prefer to fund only specific invoices. Fintech entrants, often with digital onboarding and instant decision-making, are pushing established providers to modernise.

Increased Competition and Provider Differentiation

With numerous active providers in the market, competition remains intense. Differentiation is occurring through sector specialisation (e.g. construction, recruitment, logistics) and through customer service standards. Verified customer ratings reveal a notable disparity in service quality, which may lead to increased churn as clients seek out better experiences.

Section 9: Expert Commentary

Insights From FundInvoice LLP

Glenn Blackman, Managing Partner at FundInvoice LLP, comments:

"Invoice finance remains one of the most underused tools available to UK businesses. Despite ongoing late payment issues and widespread cash flow pressures, only around one percent of companies use these facilities, often due to low product awareness. That gap represents both a challenge and an opportunity. Better education and simpler access routes are needed if more firms are to benefit from it.

We continue to see significant variations in charges and advance rates between providers. For the average business, this can mean paying nearly double the cost, depending on the provider chosen. Our role as brokers is to help companies navigate that complexity, benchmark their current arrangements, and secure terms that are genuinely competitive.

Looking ahead, technology and AI will almost certainly reshape how invoice finance is delivered. At the same time, service quality and provider reliability remain critical. The best outcomes come when businesses seek expert guidance, compare offerings across the market, and avoid settling for the first option presented to them. For UK businesses, this means that regularly benchmarking facilities is no longer optional but essential if they want to avoid overpaying."

Section 10: How To Use This Report

This Benchmark Report is designed to be more than a collection of statistics. It is a reference point to understand where your business stands in relation to others and to identify areas where better options may be available.

Business Owners

For business owners:

- Compare your own funding costs, advance rates, and provider service levels against the benchmarks in this report.
- Verify whether the issues highlighted, such as late payments and accessibility, align with your experience.

If you find you are paying more, waiting longer, or receiving less funding than the averages suggest, consider reviewing your current arrangements.

Next step: If this report raises questions about your facility, or you think these products might help your business, request a free comparison of the options available to your business. Contact FundInvoice LLP on 03330 113622 or visit https://www.fundinvoice.co.uk

Advisers & Introducers

For advisers and introducers:

- Use the data to support conversations with clients about cash flow and funding.
- Refer to the benchmarks when evaluating whether a client's facility is competitive.
- Share headline findings to raise awareness of cash flow challenges and invoice finance as a potential solution for your clients.

Journalists & Researchers

For journalists and researchers:

- The figures and trends here provide a snapshot of how invoice finance is evolving in 2025/6.
- All data drawn from FundInvoice's independent research can be cited with attribution.

Sources

1	FundInvoice LLP - Late Payment & Cash Flow Impact Survey September 2025. ~1% of respondents reported using some form of invoice finance to deal with cash flow gaps. This is consistent with our previous estimates.
2	UK Government Department for Business & Trade https://www.gov.uk/government/statistics/business-population-estimates-2024/business-population-estimates-for-the-uk-and-regions-2024-statistical-release
3	FundInvoice LLP - List of UK Invoice Finance Providers https://www.fundinvoice.co.uk/invoice-finance/list-invoice-finance-companies-uk.html
4	FundInvoice LLP - AI, Business Challenges & Invoice Finance Survey, July 2025 https://www.fundinvoice.co.uk/blog/research/post/ai-cash-flow-invoice-finance-business-challenges-2025-survey.html
5	FundInvoice LLP - East Sussex & Kent Recruitment Finance Survey - June 2016