



Consultation: Statutory Review of the Small Business Commissioner

A public consultation issued by Department for Business and Trade

Comments from ACCA to the Department for Business and Trade

28 April 2023

About ACCA:

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

ACCA has a thriving community across the UK including 97,000 members and 67,000 future members, who work across a wide range of sectors, regions and business sizes. Our framework includes qualifications ranging from Levels 2 to 7. Through this we strive to uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at accaglobal.com

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Statutory Review of the Small Business Commissioner Consultation

ACCA response summary:

- As a professional body with a public interest remit, ACCA trains, develops and regulates accountants, setting out the highest standards we expect from those working in finance and accountancy. Our members work across all sectors, public and private, from micro businesses to large firms and are trusted advisors to businesses in the UK, giving them unique insight into business and economic conditions.
- Accordingly, ACCA takes a strong interest in business payment practices in the UK. We regularly engage with our members on the specific topic of late payment, through discussions, surveys and webinars, as well as regular roundtables with successive Small Business Commissioners, including a series of engagements in 2022, at which our members were able to share feedback with the Commissioner.
- Based on the insight from our members over the last two decades, we believe that late payment is a persistent problem in the UK. Poor payment practices have a domino effect throughout supply chains, with severe consequences for cashflow and the survival of SMEs.
- We have therefore supported actions to tackle late payment in recent years, including the introduction of reporting requirements, the Prompt Payment Code, as well as the establishment of the Small Business Commissioner.
- We engage regularly with the Small Business Commissioner, sharing insight from our members across the UK including roundtables and survey data, as well as signposting the resources of the SBC to our members.
- We agree that improving poor payment practices in the UK requires change on a number of fronts, including changes in culture, improving awareness and enabling scrutiny, as well as legislative change. We recognise that this will take time and, given the particular challenges reaching small businesses, it is probably too early for the full effect of some measures to be felt.
- Our view, substantiated by a wide range of organisations, is that late payment is still a problem in the UK. Indeed, as we seek to pull on every lever to create the best economic environment to enable the economy to flourish, we believe there is a merit in strengthening certain aspects of the late payment landscape, including the integrity of supply chain reporting, maximising the information available to small firms, and enhancing the role of the Small Business Commissioner.

Small Business Commissioner

Question 1: How aware do you think businesses are of the role of the Small Business Commissioner? How aware would you say you are of the SBCs role as set out in this statutory review document?

With our unique insight gathered from trusted advisors to small businesses across the UK, ACCA takes a strong interest in payment practices. We have contributed to policy discussions about the development of actions to tackle poor payment over the last decade, highlighting the impact poor payment practices has on SMEs and the need for action.

We believe that tackling late payment requires a blend of actions including culture change, increased awareness by small businesses enabled by better scrutiny, as well as legislation. We supported the creation of the office of the Small Business Commissioner (SBC) and believe that it plays a useful role in the landscape.

ACCA has engaged with successive Commissioners since the post's inception, raising awareness of the office including regular signposting for our members and their clients to the services and tools provided by the SBC. Many small businesses rely on their accountant for business support and advice, and our members are ideally placed to amplify the work of the SBC and promote it alongside the range of resources we have for supporting both small and medium sized accountancy practices and small businesses more generally.

Our members working up and down the country, across all sectors, public and private, from micro businesses to large firms, helping individuals, organisations, and businesses to thrive. As trusted advisors to business, our members are well-placed to provide early and unique insight into business confidence and the impact of the challenging economic circumstances. We share this insight with the office of the SBC in several ways:

- Sharing ACCA survey data and information
- Regularly highlighting SBC information and tools in our bulletin to members, including *In Practice*, for members who work directly with SMEs
- Holding webinars and roundtables with the SBC, attended by ACCA members and other stakeholders, most recently holding sessions in Westminster, Scotland, Wales and Northern Ireland in 2022
- Featuring the SBC on a recent ACCA podcast series with Business News Wales, discussing the impact late payments have on small businesses and how accountants can support them.

We recognise that small businesses are exceptionally time-poor and often isolated, making them a hard-to-reach community. As one of the most trusted sources of advice for small firms, accountants have a critical role to play in highlighting good business practices that can minimise the occurrence of late payment. The resources provided by the SBC are an important part of this advice landscape. Similarly, we value the role the SBC plays in highlighting cases of poor practice and raising the profile of late payment.

Raising awareness of government services and functions can take a long time, particularly for small businesses. Overall, some of the measures introduced to tackle late payment, including the Small Business Commissioner, are still relatively new. There is a real risk that the progress that has been made could be completely lost if the function is changed, moved elsewhere or another organisation or office takes on these functions.

We think that there is now much greater awareness about the problems associate with poor payment practices and clearer steps for smaller firms to take, both to minimise its occurrence, as well as resolving disputes. Nonetheless, it remains a widespread, stubborn challenge for SMEs, perhaps underlined by the increased contact with SBC website in the past year¹, and we should strengthen, not weaken, actions to address the issue.

Question 2: Have you had any interactions with the SBC

- a. yes
- b. no

ACCA has engaged with successive Commissioners since the post's inception, raising awareness of the office including regular signposting for our members and their clients to the services and tools provided by the SBC. We have contact with the SBC several times a year, often by arranging engagement events for our members to share feedback with the Commissioner.

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Question 3. If yes,

3 (i): how often?

- a. regularly (more than twice a year)
- b. occasionally (more than once a year)
- c. rarely (one or more times since SBC formed)

¹ [Small Business Commissioner Master Annual Report and Accounts 2021-22 – HC 973 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/108122/small-business-commissioner-master-annual-report-and-accounts-2021-22-hc-973.pdf)

3 (ii): Has your interaction with the SBC mainly been as a:

- a. Trading business
- b. Stakeholder with an interest in SBC's activities

3 (iii): How satisfied are you with your dealings with the SBC?

- a. Very satisfied
- b. Satisfied
- c. Neutral
- d. Unsatisfied
- e. Very unsatisfied

Question 4: In your view, what impact, if any, has the SBC had on your business relationships (e.g. with business suppliers or business customers), and/or business relationships between business suppliers and business customers in general?

As highlighted in our response to Q1, ACCA engages regularly with the SBC, sharing information, enabling direct engagement between our members and the SBC, as well as regular signposting and amplification of advice and tools to ACCA members who support SMEs across the UK. Many small businesses rely on their accountant for business support and advice, and our members are ideally placed to amplify the work of the SBC and promote it alongside the range of resources we have for supporting both small and medium sized accountancy practices and small businesses more generally.

A common piece of feedback from those working with SMEs is the value placed on the ability of an external 'champion' (the SBC) to highlight some of poor treatment small businesses experience in relation to payment practices, in particular the 'naming and shaming' of bad practice.

We know that a key step small businesses can take to minimise the risk of late payment is making informed decisions about who to do business with, as well as where to turn for advice and support. This is not a role for the SBC alone but relies on the complementary actions of regulatory reporting requirements and raising awareness about the availability of this information.

For small businesses, there is more to do to ensure that data and support are consistent and accessible, i.e. a 'no wrong door' approach. In this respect, the SBC has a crucial role to play in making connections across a range of organisations including intermediaries that interact with small businesses, as well as government agencies and departments. It would therefore be too simplistic to measure the SBC's impact through direct queries from small firms and the government should consider the value of 'preventative' work supported by the SBC.

Question 5: Do you think that resolving a complaint between business suppliers and business customers has become easier or harder since the establishment of the Small Business Commissioner? Why?

We think that there is now much greater awareness about the problems associated with poor payment practices and clearer steps for smaller firms to take, both to minimise its occurrence, as well as resolving disputes. Feedback from our members supports this and particularly values the ability of an external ‘champion’ (the SBC) to highlight some of poor treatment small businesses experience in relation to payment practices, in particular the ‘naming and shaming’ of bad practice.

However, tackling late payment needs to be seen through all the different mechanisms working effectively e.g. through the Prompt Payment Code, reporting requirements, culture change and role played by SBC. The SBC has an important role in highlighting and championing good practice tools. Communication from the office helps to raise awareness about all the possible steps that can be taken to minimise problems, helping to gather evidence about nature of the problem – from both supplier and buyer perspective, providing a deterrent value in publicising examples of bad behaviour after investigations, increasing dialogue, but also, critically, offering an avenue for when things have gone wrong.

Question 6: What do you believe has been the impact of the SBC on payment issues

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Nonetheless, it remains a widespread, stubborn challenge for SMEs, perhaps underlined by the increased contact with SBC website in the past year², and we should strengthen, not weaken, actions to address the issue.

² [Small Business Commissioner Master Annual Report and Accounts 2021-22 – HC 973 \(publishing.service.gov.uk\)](#)

Question 7: In your view, is the role of the SBC sufficiently clear? How would you explain the role?

Broadly yes. However, we suspect some small businesses see it as a broader ombudsman office whereby the office is able to make determinations and has legal powers and sanctions for redress.

Question 8: How effective do you consider the SBC has been in exercising the powers of the office:

8a. running a complaint scheme:

Very effective/**effective**/neutral/ineffective/very ineffective

8b. using the powers to investigate a report from a small business that they are not being paid by a large business within the terms of their contract?

Very effective/ **effective** /neutral/ineffective/very ineffective

8c: general advice to small business on payment issues

Very effective/ **effective** /neutral/ineffective/very ineffective

8d: drawing attention to the importance of prompt payment and taking steps to improve culture around payment practices?

Very effective/ **effective** /neutral/ineffective/very ineffective

8e: drawing attention to alternative dispute resolution options and approaches?

Very effective/ **effective** /neutral/ineffective/very ineffective

Question 9: What else could the SBC do to improve payment culture?

As highlighted above, we are clear that tackling late payment cannot be done by the SBC alone but instead requires action across awareness, culture and regulation.

We believe there is more to do to make it easier for small firms to find the right information, in an accessible format, to help them make informed decisions about their customers. Key to this is a 'no wrong door' approach. For example, one of the most common sources of information about businesses is Companies House data on registered entities. We have suggested that payment performance data should be included in the information they share.

The SBC undoubtedly has a key role to play in improving education and awareness with small businesses. To support this, it should retain a role connecting the office's resources with all those interacting with small businesses. ACCA has a key role to play here, and we will continue to play our part. Similarly, government should do more to ensure that publicly funded business support functions, including relevant government departments, are aware of, and constructively work with, the SBC, for example in relation to information sharing and communications with business.

Question 10: The SBC receives fewer complaints than expected. What do you consider are the primary reasons why small businesses tend not to raise complaints with the SBC?

Please indicate which you think is the most important reason in the comments box below, and also tick all other reasons that you think apply:

- a. Fear of some form of penalty from business customer
- b. Do not think the SBC will be able to do anything
- c. Any concerns can be addressed in other ways (give examples where possible)
- d. The concerns can be more effectively dealt with by a trade association
- e. Concerns over confidentiality
- f. The SBC's remit and whether it can help is unclear
- g. Other reason (please describe what this is)

Firstly as set out above, limited awareness of publicly available support is a perennial challenge across the small business community. It takes years to build up awareness - often businesses only become aware of the support available when they need it. This is understandable given the volume of information directed at time-poor small businesses... It is therefore critical that communications use consistent messaging from range of government functions and messaging is continuous rather than a single flash one-off message. Similarly when a small firm needs to take action on a late payment dispute, information about the SBC should be easily accessed.

However, feedback from those working with SMEs suggests that there is a fundamental concern from small firms about raising complaints in relation to a customer, especially where the customer is a larger business with more access to legal and financial recourse.

Accordingly, while it is important for the SBC to deal with individual complaints, these should be seen as an action of last resort. We believe that the proactive outreach role of the SBC, for example making connections with organisations working with small businesses, as well as raising awareness of the issues, are of equal value to handling complaints.

Question 11. Would the introduction of broader powers for the Commissioner to investigate issues on their own initiative, or as a result of anonymous information, help address the late payment issues faced by small businesses? What else would encourage you or business in general to raise an issue with the SBC?

Yes, ACCA would welcome broader powers of investigation where there is an appropriate level of evidence to suggest poor practice. Crucially, supporting this with calls for evidence, might enable greater anonymous information-sharing from small businesses.

Question 12: Please provide any additional feedback on the scope of the SBC's powers, including the extent to which you consider it enables or restricts the SBC to fulfil the Commissioner's purpose.

We believe there may be scope to explore developments (since the original introduction of the SBC) of small business ombudsman roles internationally to see whether any lessons can be learned.

We are also keen to explore how to dovetail action on late payment with wider corporate governance reforms. For example, it might be useful for SBC to have the power to write to audit committees as part of proactively investigating issues (as per Q11).

We also believe there should be a role for the SBC to be a point of referral for complaints about poor payment practice by the public sector since this is a common complaint from SMEs. Poor payment practices might, for example, include failure to meet mandatory payment times but also poor transparency in processes, including contact procedures in the event of problems.