

Great British Savings Squeeze

Small and medium-sized enterprises (SMEs) are the engine room of our economy and a vital part of our communities.

Small firms (made up of those businesses with under 250 employees) employ 16.4 million people – 60% of the UK workforce – and generate more than half of the country's GDP.

SMEs also have £248 billion of hard-earned savings sitting in bank accounts. These savings have been a lifeline for many firms as they navigate struggling high streets, soaring costs and political and economic uncertainty. It's therefore crucial that UK SMEs can get a good return on these vital savings.

Since the Bank of England started increasing interest rates in December 2021, there has been significant attention given to the personal savings market. The pace at which these increases have been passed on by the banks to consumers has been under close scrutiny to help personal savers make the most of their cash.

Allica has long thought there may be similar issues impacting SMEs – but until we carried out our own research last year, there had been no real scrutiny of the business savings market.

This research (published in October 2023) revealed that SMEs were missing out on £7.5 billion in savings interest every year, from a combination of cash sitting in zero-interest accounts and SMEs being offered far lower interest rates than those offered to larger firms.

2024 update

One year on and the problem is only getting worse.

SMEs are still suffering from a hidden savings penalty where they are offered far lower savings rates than banks offer large companies. And billions of pounds of SME cash remain in zero interest accounts.

The value of the interest they're missing out on has surged to £9 billion – a 20% increase in the past 12 months. This research highlights the truly broken nature of the SME savings market.

SMEs are not getting a fair deal, and it's time that they get the money they deserve.

SMEs have £248 billion of hard-earned money sitting in bank accounts.

Key statistics

SMEs have **£248 billion** of cash on deposit.

£126 billion of this is sitting in current accounts, earning **ZERO interest**.

The remaining **£122 billion** is earning **3% less** than large, corporate firms.

SMEs are missing out on more than **£9 billion** in interest every year.