

SME FINANCE MONITOR

Q4 2025 Report

Management
Summary



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Slightly fewer SMEs (27%) reported having grown in the previous year, back in line with 2022. Profitability remained back in line with pre-pandemic levels and a stable 3 in 10 held credit balances of £10,000 or more, though an increasing minority had nothing.

- In 2025, the proportion of SMEs that had grown increased by size from 24% of 0 employee SMEs to 34% with 1-9 employees, 45% with 10-49 employees (each slightly lower than in 2024) and a stable 46% for the largest SMEs with 50-249 employees
- Growth also remained well below pre-pandemic levels when, typically, 4 in 10 would have grown, with a more noticeable 'gap' in 2025 for larger SMEs
- Whilst overall SMEs in 2025 were more likely to have declined (32%) than grown (27%), this was due to those with 0 employees (24% grown v 35% declined) with the balance improving by size of SME to those with 50-249 employees (46% grown v 14% declined)
- A stable 79% of all SMEs reported making a profit, maintaining the increase seen since 65% reported a profit in 2021 and increasing by size of SME from 78% of those with 0 employees to 91% of those with 50-249 employees (the latter up 6 points on 2024)
- A stable 30% held more than £10,000 in credit balances, increasing by size of SME to 85% of those with 50-249 employees. An increasing minority (14%) said they had no credit balances at all, up from 3% in 2022-23

41% of SMEs in 2025 reported that they were planning to grow, the lowest level seen since 2022. 57% of SMEs had either innovated in the past year (41%) or planned to do so (43%). A stable quarter of SMEs (26%) met the definition of an Ambitious Innovator.

- The proportion of SMEs planning to grow declined during the second half of 2025 and was 41% for the year, down 6 points from 2024. Ambition to grow increased by size of SME from 38% of 0 employee SMEs to 48% with 1-9 employees and then to 57% with 10-49 employees, and 58% with 50-249 employees, all lower than in 2024 when overall 47% were planning to grow



- Despite the lower growth ambition, a stable 18% of SMEs (excluding Starts) had both grown in the previous year and planned to grow again, increasing by size of SME from 15% of 0 employee SMEs to 24% of those with 1-9 employees, and to 34% of those with either 10-49 or 50-249 employees
- 41% of SMEs had innovated in the past year, down from 46% in 2024 and lower for all but the largest SMEs. 43% planned to innovate in the coming year, up slightly from 39% in 2024 and for the smallest and largest SMEs
- A stable 57% of all SMEs had some involvement in innovation (past or future), while 27% could be described as Consistent Innovators, having innovated in the past and planning to do so again in the coming year, up slightly from 24% in 2024
- A stable quarter of SMEs (26%) met the definition of an Ambitious Innovator, an SME that is both planning to grow and to be innovative in the coming year. A further 32% planned to do one of these but not both, leaving 42% with no plans for either
- Ambitious Innovators increased by size of SME from 24% of those with 0 employees to 42% of those with 50-249 employees, and decreased by age of SME from 46% of Starts to 19% of those trading for 10+ years

SMEs in 2025 were no longer more likely to think that the future offered opportunities (28%) than it did threats (33%), with three main barriers for SMEs of higher costs (36%), the economic climate (36%) and political uncertainty/ future government policy (35%). A quarter of SMEs described themselves as 'Struggling'

- 2021 to 2024, more SMEs had seen the future offering mainly opportunities than saw it offering mainly threats. This was no longer the case in 2025, as whilst a relatively stable 28% thought the future offered opportunities, the proportion seeing mainly threats doubled from 2022 (16%) to 2025 (33%) resulting in a net negative score of -5 (from +5 in 2024 and +14 in 2021 and 2022)

- Three barriers shared top ranking for SMEs in 2025. A stable 36% of SMEs cited higher costs as a main barrier, and this has been a top barrier since its introduction at the end of 2021. The proportion seeing the economic climate as a barrier was also 36%, having increased during 2025 and now back at pandemic levels. 35% saw political uncertainty and future government policy as a barrier, now also one of the top three because of a steady increase from 2022 onwards and especially during 2025 (in 2024, 26% saw this as a barrier) and the highest proportion to date
- 23% of SMEs in 2025 described themselves as 'Struggling', with their monthly income not meeting their monthly expenses and little in the way of savings, a steady increase over time from the 18% in this position in 2023. This proportion declined by size of SME from 25% with 0 employees to 10% with 50–249 employees, and by age of SME, from 33% of Starts to 21% trading for over 10 years

“There are now three clear main barriers for SMEs: higher costs (36%), the economic climate (36%) and political uncertainty/future government policy (35%)”

A stable 46% of SMEs were using any form of external finance, including 19% who were still repaying pandemic funding. Almost as many, 40% in 2025, seem firmly disinclined to borrow and so met the definition of a 'Permanent non-borrower'. Attitudinally, many SMEs continued to agree that they would rather grow more slowly than borrow to grow, and 6 in 10 (in Q4) were being cautious with their plans due to the future feeling uncertain. 1 in 6 SMEs were happy to borrow to grow but also thought it could be difficult for them to get finance

- 46% of SMEs reported using any form of finance in 2025, little changed from 2023, increasing by size from 42% of 0 employee SMEs to 65% of those with 10–49 employees and declining by age. Since the pandemic, the largest SMEs with 50–249 employees have been less likely to be using external finance (46% in 2025), having previously been the most likely (77% in 2018)
- 28% of SMEs reported having applied for pandemic funding, and almost all were successful. 19% of SMEs were still repaying this funding, increasing to a quarter of those with 1–9 or 10–49 employees. 6% of all SMEs were only finance users because they were repaying pandemic funding, as they held no other financial products

- Amongst those using any form(s) of finance, 24% said they were borrowing more than £25,000 overall, increasing by size to 57% of those with 10-49 employees and 76% of those with 50-249 employees. This is lower than in H2 2022, when 35% of finance users were borrowing more than £25,000, with the decrease seen across finance users of all sizes, but notably for those with 1-9 employees (down 18 points to 36%) or 10-49 employees (down 20 points to 57%)
- Permanent non-borrowers are those SMEs with no apparent appetite for funding (neither using nor applying, and saying nothing was stopping them doing so). In 2025, 40% of SMEs met that definition, up 5 points from 2023 and 2024 (both 35%) and back in line with 2019-2021
- The smallest and largest SMEs were most likely to be a PNB, from 43% of SMEs with 0 employees, to 31% with 1-9 employees, 25% of those with 10-49 employees and 41% with 50-249 employees. The increase in PNBs 2024 to 2025 was led by the smallest SMEs (up by 5 points)
- Compared to their peers, PNBs were more likely to have made a profit, to feel 'Well off/Comfortable' and as likely to hold £10,000 or more of credit balances, but they were also less likely to have been innovative or to be planning to grow
- Attitudinally, in H2 2025, 77% of SMEs agreed that they would rather grow more slowly than borrow to grow, with 6 in 10 (in Q4) being cautious with their plans due to the future feeling uncertain. Around a third of SMEs were happy to borrow to grow, but similar proportions thought it could be difficult for them to get finance and/or that lenders perceived them as riskier than they really were. Combined, 1 in 6 SMEs were happy to borrow but also thought it could be difficult for them to get finance

5% of SMEs reported having had a need for funding. Most took some action, and of those, half applied for finance. Overall, 13% of SMEs reported any borrowing event, 81% had been a Happy non-seeker of finance and 5% had been a Would-be seeker with something stopping them applying for finance

- Need for funding has been 3-7% in all recent years apart from the pandemic years 2020 (9%) and 2021 (12%). 52% needed funding for cash flow purposes, primarily as working capital, up from 40% in 2024, while 54% said that the funding was for business development reasons, typically to invest in new plant, machinery, etc., or to fund UK expansion, down slightly from 2024 (57%)
- 86% of SMEs with a need for finance took some action to meet that need, with 50% of them making an application, increasing to 75% of those with 10-249 employees. 24% applied to their main bank (31% for larger SMEs), while 18% applied to a new provider and 13% to an existing provider that was not the main bank (35% for larger SMEs). Compared to earlier years, this was a slightly smaller share of applications for the main bank and a slightly higher share for new providers
- This group also included more self-funders, in whole or part, in 2025 than typically seen (25%) and slightly more who decided not to take funding (16%) Both these actions were more common amongst smaller SMEs with a need for funding
- A stable 13% of all SMEs reported any borrowing event (including as a result of a need for funding or the automatic renewal of an overdraft) increasing to 17% of those with 1-9 employees and 20% of those with 10-49 employees
- 5% of SMEs as Would-be seekers of finance, where something had stopped them applying, decreasing by size of SME from 6% with 0 employees to 1% with 50-249 employees. The main barrier for this group was the process of borrowing, such as the expense, time and hassle

“86% of SMEs with a need for finance took some action to meet that need, with 50% of them making an application”

- In all size bands, the largest group was the Happy non-seekers, who had not applied for finance and said that nothing had stopped them from doing so (78-82% amongst those with up to 49 employees and 88% of the largest SMEs). 37% of this group were using external finance as the definition is based on applications for, and not use of, finance

In the 18 months to Q4 2025, 55% of all applications for new or renewed finance resulted in a facility. 9% were offered a facility but chose not to take it and 36% were declined. This success rate was 8 points higher than for the previous period, but still below pre-pandemic levels when 7 in 10 applications were successful

- 55% of all applications resulted in a facility, increasing by size of applicant from 51% with 0 employees to 58% with 1-9 employees, 78% with 10-49 employees and 92% with 50-249 employees. The success rates also varied by whether the application was made to the main bank (43%), or to an existing provider that was not the main bank (81%) or a new provider (65%), and for those that had applied for the product before (65% v 47% of first-time applicants)
- 9% of all applications were offered a facility but chose not to take it, typically saying that the facility offered was too expensive, with some mentions of the security required or the terms and conditions. Since 2023, this has been the outcome for a slightly higher proportion of applications than previously seen (4-5% pre-pandemic)
- Those that were declined for a facility cited a range of reasons given by the lender, including credit issues (24%), current business performance (15%) or a lack of security (12%). 1 in 4 of those declined said they weren't given a reason by the lender
- Success rates by size of SME applying have shown different patterns over time. Larger SMEs have always been more likely to be successful, and their success rates went up only slightly during the pandemic. Smaller SMEs saw a bigger positive impact during the pandemic, followed by more of a decline afterwards, with some improvements in the most recent 18 months.

- Compared to the 18 months to Q4 2019, when 71% of applications were successful, current success rates were 16 points lower overall at 55%, with the gap ranging by size from 12 points for those with 0 employees and 18 points for those with 1-9 employees to 9 points for those with 10-49 employees and 6 points for those with 50-249 employees

Looking forward, a stable 11% of SMEs planned to apply for finance, 14% were Future would-be seekers and 75% expected to be a Future happy non-seeker of finance.

- 11% of SMEs planned to apply for finance . Future appetite was higher amongst SMEs with 1-9 or 10-49 employees (16% and 18%) compared to 9% of the smallest and largest SMEs.
- 8 in 10 of those planning to apply for finance were already using some, up from 7 in 10 in 2024, and one of the highest proportions seen
- 36% of those planning to apply were confident the lender would say yes, up slightly from the 32% who were confident in 2024 (but lower than the half of applicants who were typically confident of success pre-pandemic) . Across all SMEs, irrespective of their finance plans, 46% were confident of success in 2025, little changed since 2023. This remained lower than previously seen (in 2018 and 2019, 58-59% of all SMEs were confident of success)
- 14% of SMEs met the definition of a Future would-be seeker, those with no plans to apply and feeling that something would stop them if they did want to apply. This proportion declined by size of SME from 15% of those with 0 employees to 6% with 50-249 employees
- Half of Future would-be seekers saw something related to broader economy as their main barrier to applying, including 34% saying they did not want to borrow in the current economic climate. This latter group went on to say that it would require a steady increase in customer demand and a more certain outlook for them to reconsider, including lower interest rates and more clarity around future government policy

“Across all SMEs, irrespective of their finance plans, 46% were confident of success in 2025, little changed since 2023”

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