Small Business, Big Interest

A White Paper, by Money Squirrel, which reveals how businesses across industries are missing out on thousands in potential interest earnings each year.

2025-2026

Table of contents

Foreword

By Andreea Daly,
CEO Money Squirrel

As a founder working closely with SME enterprises across the United Kingdom, I have seen first-hand how hard it can be for business owners to feel in control of their finances. For many, the simple act of putting money aside for tax, for essential expenses, and for those sudden moments when the unexpected arrives, becomes a source of stress rather than reassurance. Yet this should be one of the most empowering habits in business. It should provide confidence, calm, and breathing room.

Our research makes something very clear. A new generation of entrepreneurs, particularly those aged 18 to 34, are energetic, ambitious, and deeply comfortable with technology. But the tools available to them are failing to protect them. Early automation promised to simplify business finance, but instead it has left many founders exposed to avoidable penalties, lost time, and unnecessary pressure.

I believe this represents a pivotal moment. The market is ready for our intelligent financial tools that truly work for business owners, not just around them. Automation that actively helps people squirrel money away with ease and certainty to support growth rather than hinder it.

Our goal is simple. To enable entrepreneurs to focus on their ideas, their customers, and their future. To help them thrive, not just survive.

The Foreword by Sage

Small businesses sit at the heart of the UK economy - but for many, managing cashflow remains their single greatest challenge. In conversations I have every week with accountants, bookkeepers, and business owners, the story is always the same: ambition is high, yet time and resources are stretched thin. Most want to build financial resilience but struggle to move beyond short-term survival.

That's why reports like this from Money Squirrel are so valuable. They shine a light on an issue that's often overlooked - how small businesses can develop better habits around cash management, savings, and planning for tax.

As the profession prepares for the next stage of Making Tax Digital, it's clear that financial confidence doesn't come from compliance alone. It comes from creating systems that make good decisions automatic - using technology to save, allocate, and plan ahead before problems arise. This is where innovation matters most: giving business owners tools that build healthy financial habits and give their accountants better visibility and control.

What stands out in this white paper is the focus on real behaviour - the link between mindset, technology, and everyday financial choices. Money Squirrel is not just automating savings; it's helping small businesses build discipline, confidence, and readiness for what's next.

For anyone supporting small businesses - from accountants to fintech partners - this is essential reading. It's a reminder that financial wellbeing is not a luxury; it's the foundation for growth.

Chris Downing
Director for Accountants and Bookkeepers

Sage

The problem

Cashflow remains one of the biggest challenges for small and micro businesses in the UK.

Many operate on tight margins and rely on a steady stream of income to stay afloat.
When payments are delayed, or unexpected costs arise, even a short-term dip in cashflow can have significant consequences, affecting payroll, supplier relationships, and overall stability.

Unlike larger firms with reserves or access to flexible credit, small businesses often lack a financial cushion to weather these fluctuations.

A major contributing factor is the absence of having a multiple savings pot mindset. Many business owners treat profit as whatever is left after expenses, rather than intentionally setting aside funds for essential areas such as tax, reinvestment, or future emergencies.

Without designated “pots” for tax, expenses, equipment, and rainy days, cash is often absorbed into day-to-day operations, leaving nothing in reserve when it’s most needed.

This reactive approach leads to a cycle of financial firefighting rather than strategic growth. It limits confidence in decision-making, prevents long-term planning, and makes businesses highly vulnerable to external shocks. The result is a fragile financial ecosystem where even profitable ventures can struggle to sustain momentum, invest in innovation, or plan for sustainable success.

"As an accountant, I’ve observed that small businesses and freelancers failing to set aside tax funds is the primary cause of business stress and often leads to business failure. The majority of my clients were unaware of the benefits of saving for taxes in a high-interest business bank account."
Nicole Zalys, Founder, Villiers & Co

“The absence of structured savings pots, designed to meet the need of the SME, is leaving them exposed to predictable shocks. That’s not a failure of entrepreneurs, it’s a failure of the tools available to them.”
Andrew Smith, Founder & CEO, SPORTA

Preview of survey findings

The SME market in the UK

SME and micro business owners aged 25-34 spend the most amount of time managing finances each week.

Out of all UK regions, SME and micro business owners in the West Midlands spend the most amount of time managing their business money.

Just under half of UK SME and micro business owners have been short of cash when tax is due.

Out of all age groups questioned, young business owners (18-25) have faced penalties for missing tax payment or for filing late.

Business owners aged 45+ rely on manual processes to split up cash for reserves.

The SME market in the UK

Small and medium-sized enterprises (SMEs) form the backbone of the UK economy, representing over 99% of all businesses and employing around 61% of the workforce. Collectively, they contribute to more than half of private sector turnover, making them not only vital to economic stability but also to innovation, regional growth, and job creation*.

The UK's SME landscape is remarkably diverse, spanning sectors from manufacturing and professional services to technology, hospitality, and creative industries. In recent years, digital transformation has played a pivotal role in shaping competitiveness within the SME sector and adoption of cloud technology, AI tools, and flexible working practices has allowed smaller firms to compete with larger enterprises on efficiency, customer experience, and innovation.

However, the sector continues to face significant challenges.

Rising costs, access to finance, and the ongoing skills shortage remain critical concerns and inflationary pressures as well as higher interest rates have tightened margins, while access to affordable growth capital, particularly for early-stage and regional businesses, remains uneven.

Looking ahead to 2026, government support through initiatives such as the British Business Bank and regional growth funds will be essential to maintaining momentum. Yet, it is SMEs' agility, entrepreneurial spirit, and deep local connections that continue to make them resilient in the face of uncertainty.

As the UK economy evolves, empowering SMEs with the digital tools, financial access and solutions will be key to sustaining long-term national growth.

At OakNorth, we see first-hand how growing businesses with turnovers between £1m and £100m are rethinking their approach to financial management. They're ambitious, digital-first, and eager to make their money work harder, but too often, the tools available to them fall short. Solutions like Money Squirrel have the potential to close that gap, freeing business owners from admin burdens so they can focus on what really drives growth: innovation and opportunity."

Peter King, Director of Business Banking, OakNorth

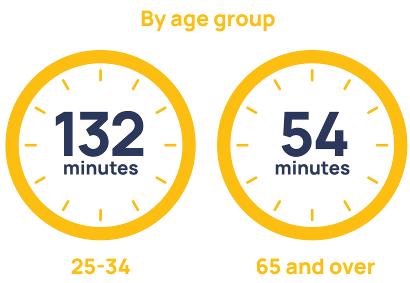
How much time do you spend each week managing your business finances?

The hours entrepreneurs spend managing accounts and preparing for tax liabilities. The data reveals a stark generational and regional divide in the administrative tax levied on entrepreneurs' time.

Key findings on the time spent managing finances include:

1. **Significant Time Commitment:** A majority of business owners dedicate a considerable portion of their work week to financial tasks. A full **27% spend between 31 and 60 minutes per week**, 22% spend 1-2 hours, and another 18% spend 3 or more hours on financial administration.

2. **The Generational Disparity:** Younger entrepreneurs bear a disproportionately heavy time burden. A remarkable 63% of business owners aged 18-24 spend 31-60 minutes per week on their finances. On average, the **25-34 age group** spends the most time on these tasks at **132.90 minutes** per week, in sharp contrast to the **65 and over group**, who spend the least time at just **54.15** minutes.



3. Regional Time Sinks: The administrative burden is also geographically concentrated. Business owners in the **West Midlands (173.14 minutes)** and the **East of England (154.19 minutes)** report the highest average time spent on financial management, indicating acute regional pain points.

This significant investment of time, particularly by a younger generation of entrepreneurs, sets the stage for more severe financial consequences when overburdened owners and inadequate processes inevitably lead to errors and oversights.

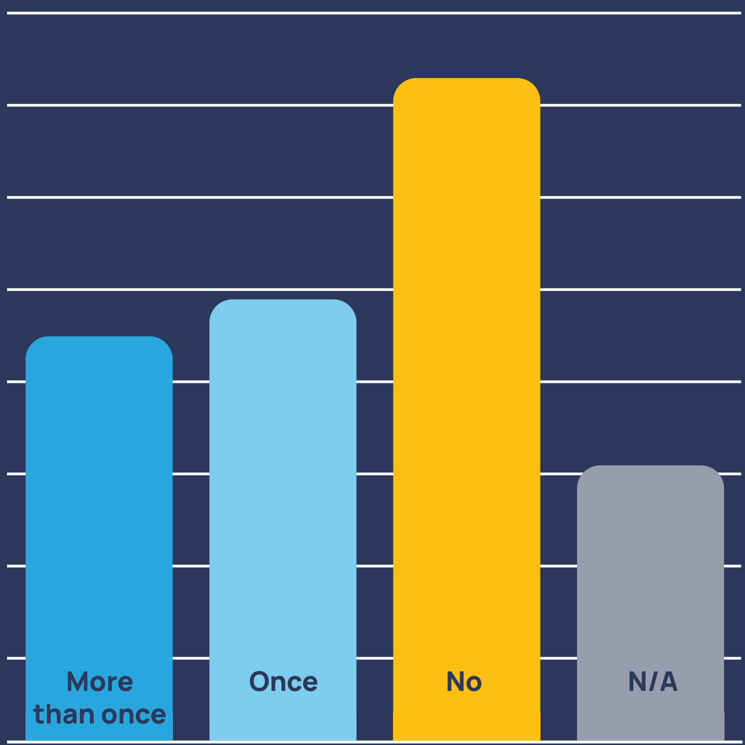
In the past 12 months, have you ever been short of cash when your VAT or tax payment was due

The Prevalence of Tax-Related Cash Shortages

A significant portion of the small business community struggles with liquidity at critical moments. Nearly half (46%) of all business owners have been short of cash when a tax or VAT payment was due in the past 12 months. This challenge is particularly acute for the next generation of entrepreneurs. These statistics reveal a demographic operating in a state of constant financial precarity:

Key Findings

- For business owners aged 18-24, this figure skyrockets to 93%.
- For the 25-34 age group, 78% have experienced a cash shortage ahead of a tax deadline.
- This compares to just 2% of business owners over the age of 65 and 8% of 55- 64 age group.

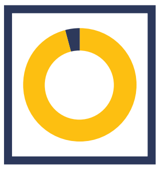


Have you ever been fined or charged interest for missing a tax payment or filing late due to cashflow or admin delays

The Inevitable Consequence:

Fines and penalties. When cashflow is unpredictable, financial penalties are not a risk but a near certainty. The survey confirms this direct link, with 47% of all respondents reporting they have been fined or charged interest for late payments. Once again, the generational divide reveals a crisis point:

Key Findings



An astonishing **96%** of owners aged **18-24** have faced these penalties.

Nearly three-quarters (73%) of those **aged 25-34** have also been fined.

This compares to **just 13%** of business owners over the age of 65 and **17% of 55- 64** age group.

The persistence of these fundamental struggles raises a critical question: in an age of automation, why are existing digital tools failing to protect the most vulnerable entrepreneurs from these predictable risks?

Do you currently automate any part of your cash management (e.g., splitting money into VAT/tax pots or moving funds to savings)

The Digital Adoption Gap: Automation Readiness and Missed Opportunities

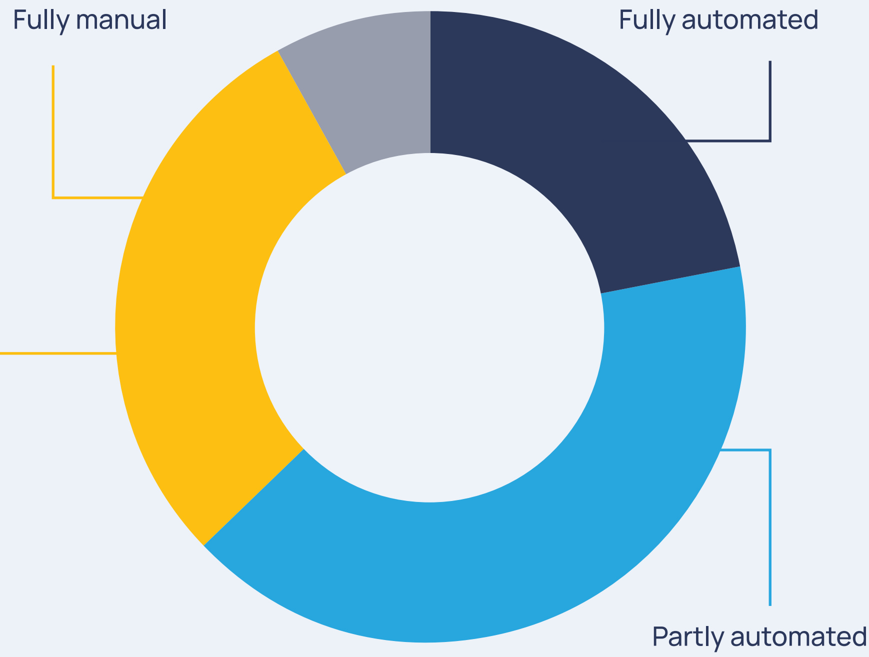
While one might assume that the financial struggles detailed previously are due to a lack of technology adoption, the data reveals the opposite. The demographic most susceptible to financial penalties is, paradoxically, the one that has most thoroughly embraced automation. This indicates not a market that needs educating, but a market whose existing tools are fundamentally failing them.

The current state of cash management automation presents a study in contrasts:

Young Entrepreneurs as Early Adopters: Younger business owners have overwhelmingly embraced automation. An impressive 78% of the 18-24 age group report their finances are “fully automated”. Among the 25-34 age group, a combined 93% utilise either full (20%) or partial (73%) automation.

The Manual Approach of Established Owners:

In stark contrast, many established owners continue to rely on manual processes. A majority (69%) of the 55-64 age group and 40% of the 45-54 age group still do everything manually.

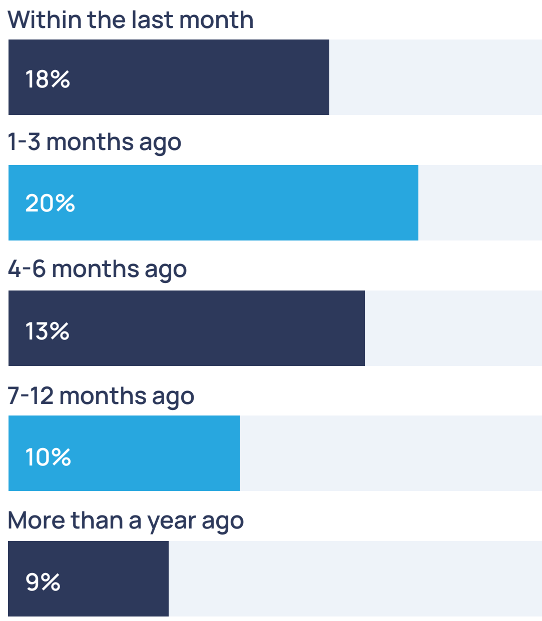


When did you last check whether your business savings or current account offered the best available rate

Passive Financial Management:

This digital divide extends to passive financial optimisation. A revealing **10% of all business owners have never checked for better interest rates on their savings or current accounts**. This financial inertia is most pronounced among older demographics, rising to 28% for those aged 55-64, suggesting an opportunity for automated tools to optimise capital.

These findings lead to a powerful conclusion: the target market is not one that needs to be convinced of automation's value, but one that is actively seeking better tools to manage the risks they disproportionately face.



Why now?

1

Targeting the High-Need, High-Adoption Segment: The cumulative analysis of time burden, financial risk, and technology adoption provides a clear blueprint for a successful market entry. The data pinpoints the precise demographic and geographic segments where the need for advanced automated financial tools is most urgent. By focusing on these high-need, high-adoption segments, a new fintech solution can achieve maximum impact and rapid market penetration.

2

Defining the Primary Target Demographic: The primary target is a business owner aged 18-34. This individual is a digitally native, early adopter of automation whose self-reported "fully automated" systems are failing to protect them from critical financial risks. They are not technology-averse; they are connoisseurs of digital tools who are being let down by first-generation solutions and are primed for an upgrade. Despite their tech-savviness, they spend significant time on financial admin and are highly susceptible to cashflow shortages and late-payment penalties.

3

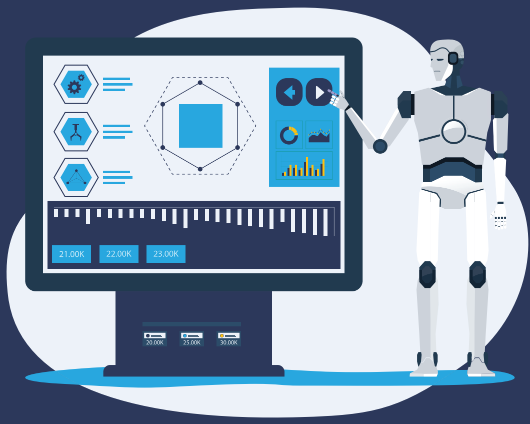
Identifying Geographic Hotspots for Launch: The survey data identifies several key regions where a product launch would address concentrated pain points and meet a ready market:

- **The North East:** This region represents the epicenter of the market opportunity, with the nation's highest rate of full automation adoption (70%) coexisting with catastrophic rates of cash shortages (80%) and penalties (87%). This is a market that has already bought into the promise of automation but is being failed by the execution.
- **Northern Ireland and Scotland:** Both regions represent significant, concentrated markets of financial distress, reporting high rates of cash shortages and penalties (78% and 69% for both metrics, respectively).
- **London:** As a massive economic hub, London boasts the highest adoption rate of partial automation (65%), suggesting a large, sophisticated user base that is already engaged with financial technology and is ready to upgrade to a more comprehensive, fully automated solution.
- **The West Midlands:** This region stands out as the place where business owners spend the most time on average managing finances (173.14 minutes per week), giving a solution focused on time-saving a powerful and immediate value proposition.

This chasm between digital adoption and financial stability represents an immediate and lucrative market imperative.

"The data shows a fragile ecosystem where even profitable businesses are one tax bill away from crisis. The time for incremental fixes and manual works arounds has now passed."
Andrew Smith, CEO, SPORTA

Tech, compliance and onboarding



Money Squirrel makes managing business finances effortless, secure, and fully compliant. The automated platform ensures all obligations are covered, while surplus funds are optimised, so people can focus on what really matters: growing a business.
Here's how it works:

1. **Sign Up:**
Getting started is quick and easy. Simply create an account via email and mobile number. Our sign-up process is streamlined for ultimate convenience, with full verification ensuring security from the moment users get started.

2. **Connect Your Bank:**
Link a business bank account securely through Open Banking technology. The connection process takes less than 60 seconds and is fully encrypted, meaning data is protected at all times. As a regulated provider, Money Squirrel ensures the highest levels of security and data privacy.

3. **Set Your Thresholds:**
Tailor financial management by setting specific thresholds for VAT, corporation tax, buffer reserves, and profit rules. This step puts users in control, allowing them to dictate how funds are allocated while adhering to business goals.

4. **Connect a Savings Pot:**
Once your thresholds are set, we automatically sweep surplus funds into savings accounts that earn up to 4.3% AER. All funds are transferred securely into accounts that are regulated and monitored, so business savings are both safe and working hard at all times.

5. **Relax – Fully Regulated and Secure:**
With Money Squirrel, tax obligations are covered, and spare cash is earning interest. We're fully regulated by the Financial Conduct Authority (FCA), ensuring compliance with UK financial regulations. This gives users the confidence that finances are in safe, trusted hands.

Our service is secure, fully compliant, and designed to give users peace of mind as their business grows.

Conclusion

Seizing the Fintech Opportunity in the Small Business Sector

This analysis illuminates a substantial and critically underserved segment within the small business market: young, digitally-savvy entrepreneurs who are disproportionately burdened by financial risk precisely because their current digital tools are inadequate. This gap between the promise of automation and the reality of financial instability represents a compelling opportunity for fintech innovators.

The path forward is defined by a clear set of strategic imperatives:

- **The Problem is Acute:** The reliance on first-generation automated tools is leading directly to significant time loss and severe financial penalties, creating a cycle of instability for the next generation of business owners.
- **The Market is Ready:** The target demographic of entrepreneurs aged 18-34 is not just using technology but is being failed by it, creating urgent demand for superior, more intelligent financial tools that deliver tangible protection and efficiency.
- **The Strategy is Clear:** A targeted approach focused on the 18-34 age demographic and high-pain geographic regions presents the most efficient path to market penetration and commercial success.

The time is now for fintech innovators to provide the intelligent, truly automated tools that will finally empower the next generation of small businesses to move beyond administrative burdens and focus on what they do best: innovate, grow, and thrive.

"Managing liquidity is a perennial challenge, but clearly the potential for disruption to smaller businesses when things go wrong is particularly acute. Using tech solutions to enable and embed the right mindset is one of the most effective ways to address the issue and should be welcomed by everyone, and especially the new generation of entrepreneurs"
Tom Mason, Founder, Shoal

"Our research has found that businesses with predictable income (property, education, professional services) save more and look for better returns on spare funds and businesses with variable income (creative, retail, lifestyle) save less but need help building habits and avoiding shortfalls. Money Squirrel can bridge both worlds, helping savers earn more and non-savers build consistency through smart automation."
Obum Ezechukwu, Partnerships, Tide

"The UK's small business community is digitally savvy but underserved. Many have embraced automation without seeing much benefits in the back pocket. The next wave of fintech innovation must drive commercial value for small businesses and it's great to see Money Squirrel doing precisely that."
Ben Nadel, Co-founder, Woodhurst

"This whitepaper highlights additional cash management challenges facing UK SMEs, the hidden cost they face from both financial admin and from penalty fees. There's a huge opportunity in helping SMEs to put their money to work, and we'll all benefit if that happens."
Conrad Ford, Chief Product & Strategy Officer, Allica Bank