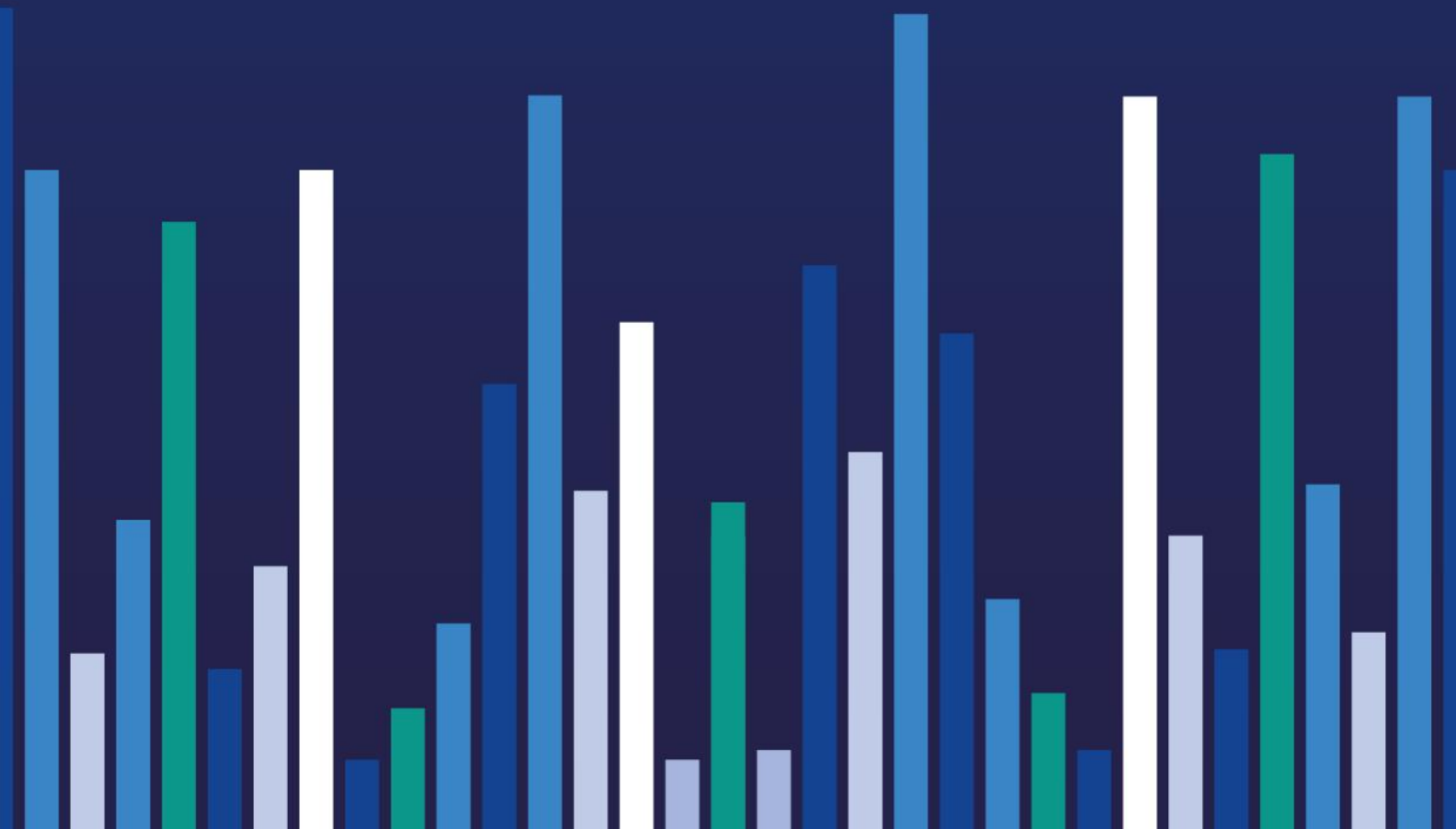


A REPORT BY CAPITAL ECONOMICS FOR IWOCA

Impact of non-bank lending on SME success rates





CAPITAL ECONOMICS



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Executive Summary

This report was independently researched and authored by Capital Economics. The success rate analysis was conducted on anonymised iwoca customer data; all comparator data are drawn from publicly available sources published by Companies House. The views expressed are those of Capital Economics and are not necessarily shared by iwoca.

SMEs' success chances are boosted by access to funding

SMEs face heightened barriers to success, often linked to cash-flow constraints

- Small and medium-sized enterprises (SMEs) are integral to the UK economy, but SMEs face many challenges that threaten the success and longevity of their business. The majority fail within the first 4 years. According to the Companies House business register, only **42%** of UK firms born in 2021 still existed in 2025.¹ More established businesses are also at high risk of failure. Published estimates show that only 10% of UK businesses still exist ten years from incorporation.²
- Cash flow is critical for the success and growth of businesses. But cash flow issues can arise as a result of temporary external factors, such as shocks to operational costs, seasonal patterns in sales, or late customer payments. Rising operational costs - such as wages, rent, and supplier costs - are the main cause of cash-flow issues, cited by **42%** of SMEs.³ In a 2026 survey of UK SMEs by Intuit Quickbooks, **48%** reported having cash flow problems.⁴

Non-bank lenders play a key role in supporting the long-term success of firms

- Receiving a loan from iwoca helps to support the chances of success for SMEs, with our analysis suggesting iwoca loan recipients were more likely to succeed than the general business population. Success is defined as remaining on the Companies House effective business register, i.e., not experiencing insolvency, dissolution or liquidation.
- iwoca loan recipients were more likely to succeed than the general business population for all subsets of customers analysed. That means for every year of incorporation between 2020 and 2023, and each year of lending between 2021 and 2024, iwoca's customers had a higher success rate than the business population as a whole.
- For firms incorporated in 2021 who received a loan from iwoca in 2022, around **80%** remained on the Companies House business register three years after receiving their loan (2025). By comparison, amongst all UK businesses incorporated in 2021 that were still on the register in 2022, around 46% remained in 2025. That means that iwoca's customers were **70% (1.7x)** more likely to succeed three years from the year the loan was granted.

The outcomes of non-bank lending justify a balanced policy assessment

- Non-bank lending typically carries a higher cost than traditional bank finance, and policymakers have identified this as a concern. However, for most iwoca customers, the relevant counterfactual is not cheaper finance - it is no finance at all. This could be due to lengthy processes by traditional banks or because they

¹ Capital Economics' analysis of Companies House data, Companies register activities: statistical release 2019 to 2020, 2020/21, 2021/22, 2022/23, 2023/24, 2024/2025 . Available [here](#).

² Enterprise Research Centre, *The State of Small Business Britain*, 2024. Available [here](#).

³ Airwallex, *How late payments are costing businesses more than you think*, 2025. Available [here](#).

⁴ Intuit QuickBooks, *Small Business Insights: Quarterly Survey*, February 2026. Available [here](#).

fall outside their risk appetite. The evidence in this report shows that access to finance, even at a higher cost, is strongly associated with better business outcomes. This report does not seek to adjudicate on the appropriate cost of credit; it presents the outcomes that credit enables, and helps policymakers better understand the SME lending landscape.

iwoca's lending supports economic activity across the UK

- Since its launch in 2012, iwoca has grown rapidly, servicing an expanding share of SME finance demand. As of January 2026, since incorporation, iwoca has supported a cumulative total of **£13 billion** in UK GDP. In the 12 months to 31 January 2026, iwoca's loans supported **£3.5 billion** of UK GDP, and **51,600 jobs**.
- iwoca's lending reached every region of the UK, with **79%** of SMEs funded by iwoca being based outside of London.

1. SMEs face heightened barriers to success, often linked to cash flow constraints

42%	Share of UK businesses incorporated in 2021 that were still on the Companies House Register 2025
48%	Share of UK SMEs reporting cash flow challenges, according to UK survey

SMEs across all life-stages have high risk of failure

Small and medium-sized enterprises (SMEs) play a vital role in the UK economy.⁵ In 2025, there were almost 5.7 million SMEs in the UK, representing over 99% of all UK businesses and accounting for over half of total employment.⁶

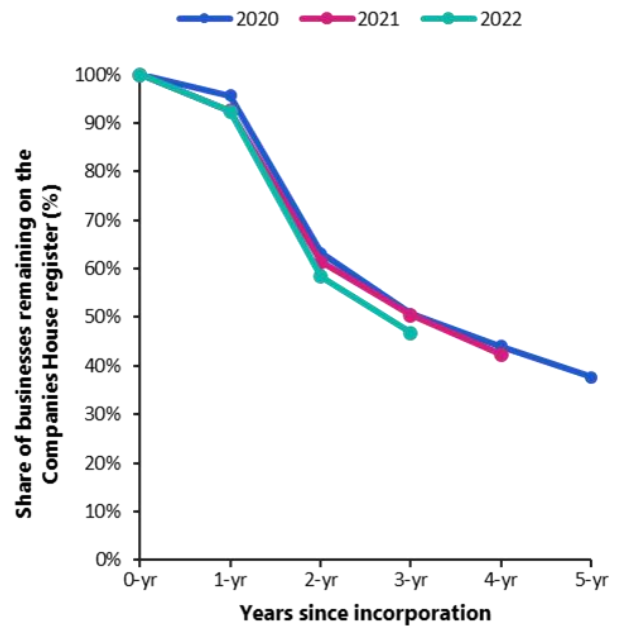
Early stage and growing SMEs face many challenges that threaten the success and longevity of their business. The scale of pressure faced by new SMEs is evident in business demography statistics. According to the Companies House business register, only 42% of UK firms born in 2021 still existed in 2025. These trends are fairly consistent across years. (See Figure 1.)

More established businesses are also at high risk of failure. For businesses that have been on the register for four years, 14% fail in the following year. In addition, published estimates suggest that only 10% of businesses still exist ten years from

⁵ In the UK, an SME is defined as a business employing 250 or fewer individuals.
⁶ Department for Business and Trade, *Business population Estimates for the UK and Regions 2025*, 2025. Available [here](#).
⁷ Enterprise Research Centre, *The State of Small Business Britain*, 2024. Available [here](#).

incorporation.⁷ According to data from the US, only 35% of companies incorporated in 2013 were still trading in 2023.⁸ Given these estimates, it is likely that the general survival rate 10 years post-incorporation is somewhere between 10-35%.

Figure 1: Share of UK businesses that remain on the Companies House register by year of birth (%)



Sources: Capital Economics, Companies House

Cash flow is a key challenge for SMEs in the UK

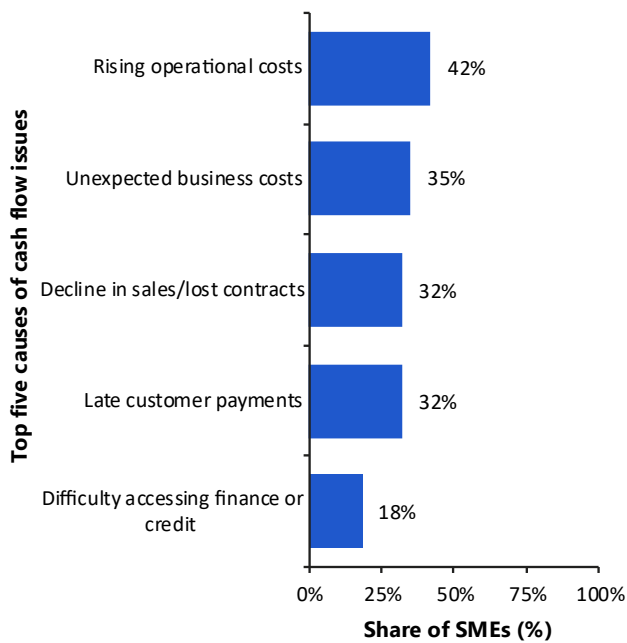
Managing cash flow successfully is critical for the survival and growth of businesses throughout their lifecycle. It enables firms to sustain operational costs such as inventory and staff, as well as allowing for investment to grow the business.

However, SMEs often face cash flow issues. High start-up costs, limited early revenues and constrained access to finance often lead to negative cash flow, making it a key driver of early business failure.⁹ Cash flow issues continue to persist even when businesses become more established.

⁸ US Bureau of Labor Statistics, *TED: The Economics Daily - 34.7 percent of business establishments born in 2013 were still operating in 2023*. January 2024. Available [here](#).
⁹ Smitha Pillai, Binoy Arickal and Ashish Dilraj, *Role of cash flow in determining the success of a firm: Review paper*, 2023, pg 794. Available [here](#).

A 2026 survey of almost 1,000 UK SME owners found that around half (48%) reported cash flow challenges.¹⁰ Rising operational costs - such as wages, rent, and supplier costs - were the main cause of cash-flow issues, cited by 42% of SMEs in a 2025 survey. Over 30% also cite unexpected business costs (such as legal fees, tax bills), late customer payments, or declining sales/lost contracts.¹¹ (See Figure 2.)

Figure 2: Top five causes of cash flow issues among UK SMEs (% , 2025)



Sources: Capital Economics, Airwallex

Funding can help unlock growth and long-term success

External funding can play a critical role in supporting cash flow and long-term success. It allows SMEs to bridge short-term gaps or make investments that deliver long-term revenue growth.

Stronger cash flow positions are associated with a higher likelihood of innovation. Large improvements in cash flow ratios are linked to a rise in the likelihood of product innovation (~3ppts) and process innovation (~11ppts).¹²

Lenders can play a critical role in easing cash flow constraints during key stages of the SME lifecycle, from early establishment through to growth and expansion. With challenger banks, specialist banks and non-bank lenders accounting for 68% of UK gross SME bank lending in 2025, these lenders are integral to supporting business success.¹³

¹⁰ Intuit QuickBooks, Small Business Insights: Quarterly Survey, February 2026. Available [here](#).

¹¹ Airwallex, *How late payments are costing businesses more than you think*, 2025. Available [here](#).

¹² Bernardina Algieri et al., *The impact of cash-flow and the main components of the capital structure on innovation performances of European firms* (REI), 2020, pg 11. Available [here](#).

¹³ British Business Bank, *Small Business Finance Markets 2025/26*, March 2026, pg.36. Available [here](#).

2. The role iwoca plays in supporting the long-term success of firms

80%
success
rate three
years post-
loan

Amongst businesses incorporated in 2021 receiving a loan from iwoca in 2022, 80% remained on the Companies House register three years after receiving their loan (2025). That compares to a 46% success rate for all UK businesses - iwoca customers are therefore 70% more likely to succeed.

Elevated success rates for iwoca customers

Research suggests that access to finance can promote business success and growth. This is the case during all stages of company maturity, as temporary factors can stunt cash flow, and can threaten business solvency.

We have analysed business success rates across iwoca's UK loan book to determine whether finance can help to improve chances of success compared to the general business population. Success is defined as remaining on the Companies House effective register, i.e., not experiencing insolvency, dissolution, or liquidation.

We collected anonymised loan book data for iwoca's customers over the period 2020 to 2025. The sample was divided into subsets, based on the year that the company was incorporated and the year it received a loan from iwoca. Success rates were calculated for each subset by identifying the share of businesses that remained on the Companies House Register in each subsequent year after the loan was granted. For comparison, equivalent statistics were

generated for the UK business population as a whole using Companies House data.¹⁴

Loans play an important role in helping firms succeed

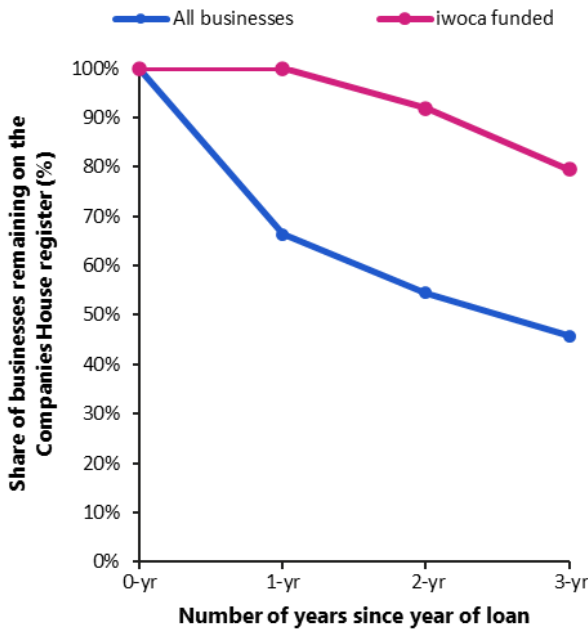
iwoca loan recipients were more likely to succeed than the general business population for all subsets of the data analysed. That means, for every year of incorporation between 2020 and 2023 and each year of lending between 2021 and 2024, iwoca's customers had a higher success rate than the business population as a whole. (See success tables in Appendix.)

As an example, we focus on one subset of data in which businesses were incorporated in 2021 and received a loan from iwoca in 2022. For these firms, around 80% remained on the Companies House business register three years after their loan (2025). By comparison, for the UK business population, amongst those incorporated in 2021 that were still on the register in 2022 (the year these iwoca customers received their loan), 46% of businesses remained on the register in 2025. That means that these iwoca customers were 70% more likely to succeed three years from the year the loan was granted. (See Figure 3.)

The results suggest that firms receiving an iwoca loan exhibit higher success rates on average. The comparison is descriptive, rather than a clear one-for-one causal link. That being said, the magnitude of the difference is stark and tells an important story. To reduce bias, we accounted for year of incorporation and adjusted success probabilities based on how long each business had operated for before receiving a loan. iwoca also tends to lend to businesses that may not be able to access mainstream finance, which would more likely bias success rates downward rather than upward.

¹⁴ Capital Economics' analysis of Companies House data, *Companies register activities: statistical release 2019 to 2020, 2020/21, 2021/22, 2022/23, 2023/24, 2024/2025*. Available [here](#).

Figure 3: Success rates of iwoca’s UK customers incorporated in 2021 and funded in 2022 and all UK businesses that were incorporated in 2021 and still on the Companies House Register in 2022, by number of years since 2022 (%)



Sources: Capital Economics, iwoca, and Companies House

In all cases analysed, iwoca customers had higher success rates than the business population as a whole, demonstrating the integral role that non-bank lenders can play in promoting the long-term success of businesses. (See success tables in Appendix for results for all subsets of incorporation and lending dates.) Finance can be used to ensure that firms with growth potential can avoid adverse financial positions due to temporary factors, such as cash flow. Additionally, it can be an effective way to fund investment and [boost revenues](#). This in turn helps businesses improve their financial position and chance of long-term success.

3. Impact of iwoca’s lending on the UK economy

£13bn	UK GDP supported by iwoca’s lending since incorporation
£3.5bn	UK GDP supported by iwoca’s lending in the past twelve months
2.3X multiplier	For every £100 of iwoca lending deployed by UK businesses, £230 of GDP is supported
51,600	UK jobs supported by iwoca’s lending in the past twelve months
£1.0bn	UK tax revenue stimulated by iwoca’s lending in the past twelve months

3.1. Cumulative economic impact on the UK economy

iwoca’s role in financing SMEs has been growing

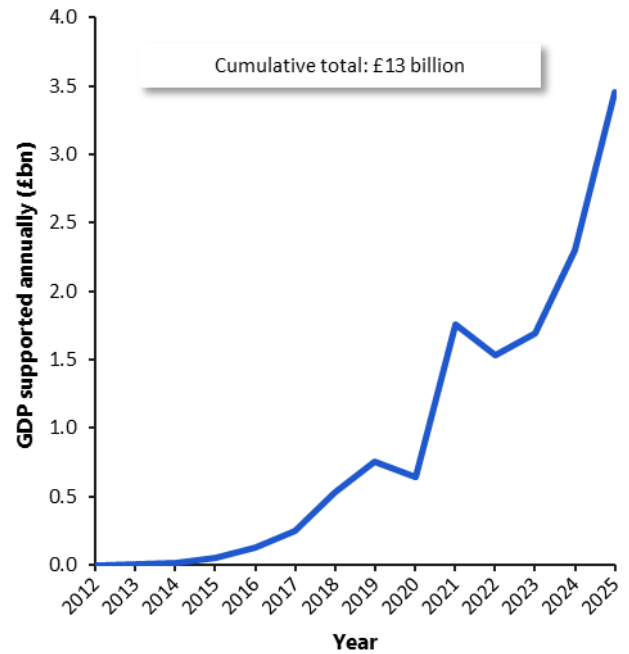
Challenger finance has become a growing source of lending in the UK over the past decade, providing vital support for businesses seeking to invest and grow. For SMEs in particular, specialist lenders have helped to fill financing gaps where traditional options may have been unsuitable or unavailable.

Since its launch in 2012, non-bank lender, iwoca, has grown rapidly, serving an expanding share of SME finance demand. As of 31 January 2026, iwoca’s customers across the UK held £0.8 billion in outstanding principal. iwoca’s total principal has grown by 30% per annum on average since January 2020.

As iwoca has scaled its UK lending, its economic impact has grown with it. Since its 2012 launch, iwoca has supported a cumulative total of around £13 billion in UK GDP (as of January 2026). (See Figure 4.) Meanwhile, the number of jobs supported

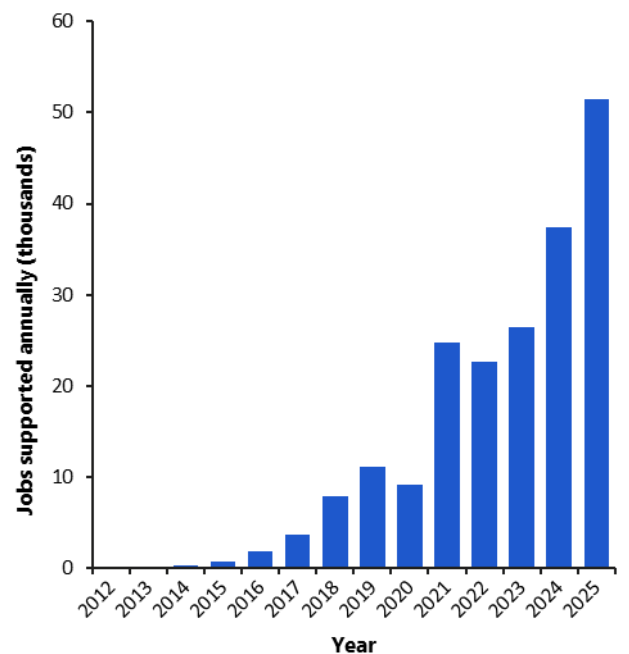
in a given year rose to around 11,000 by 2019, and to over 50,000 in 2025. (See Figure 5.)

Figure 4: UK GDP supported by iwoca’s lending between 2012 and 2025 (£ billions)



Sources: Capital Economics, iwoca and ONS

Figure 5: UK jobs supported by iwoca’s lending between 2012 and 2025 (thousands)



Sources: Capital Economics, iwoca and ONS

3.2. Impact on the UK economy over the past year

£3.5bn of UK GDP supported over past 12 months

In 2025, Capital Economics and iwoca published estimates of the economic impact of iwoca’s lending in the twelve months to 1 October 2025. In this section, these statistics are updated to reflect latest developments.

In the twelve months to 31 January 2026, iwoca’s lending supported £3.5 billion of GDP and an estimated 51,600 jobs. (See Figure 6.) That represents a 13% increase in GDP supported since the last report. For every £100 of iwoca lending deployed by UK businesses, £230 of GDP is supported.

This activity is associated with stimulating £1.0 billion in tax revenues, equivalent to around one-third of the government’s 2025/26 apprenticeships budget. Supporting the tax base that funds government growth strategies can help to lift success rates of SMEs. Apprentices are a key policy lever for raising SME productivity through greater training and upskilling, supporting long-term growth prospects.¹⁵

Economic impact expands beyond direct activity

The total estimated economic impact of £3.5 billion in GDP includes direct, indirect and induced impacts.

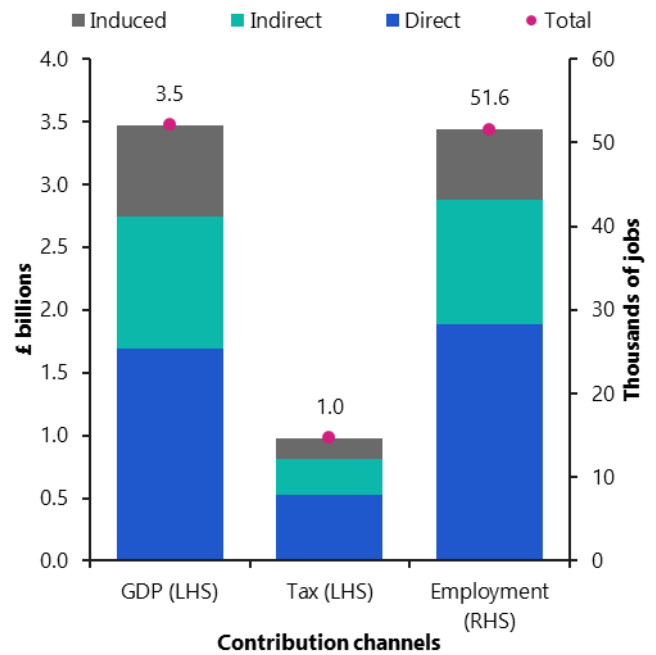
We estimate that iwoca’s lending directly supported £1.7 billion to UK GDP and supported 28,200 jobs and £0.5 billion of tax revenues. The direct impact includes the investment, profits and paying of local workers by iwoca’s customers which are supported directly by the loan.

The economic impact of iwoca’s lending extends beyond its direct contribution. iwoca’s customers procure goods and services as part of their UK supply chain. The ‘indirect impact’ of iwoca’s lending amounts to an estimated £1.1 billion of GDP supported, 14,900 jobs and £0.3 billion of tax revenue.

¹⁵ HM Treasury, *Main Supply Estimates 2025 to 2026*, 2025. Available [here](#).

iwoca’s lending also supported further economic activity, as its customers’ employees spent their wages. The ‘induced impact’ of iwoca’s lending was estimated to be £0.7 billion of GDP, 8,400 jobs and £0.2 billion of tax revenue. (See Figure 6.)

Figure 6: Overall economic contribution of iwoca’s lending in the UK in the 12 months to 31 January 2026 (LHS, £ billions and RHS, thousands)



Sources: Capital Economics, iwoca and ONS

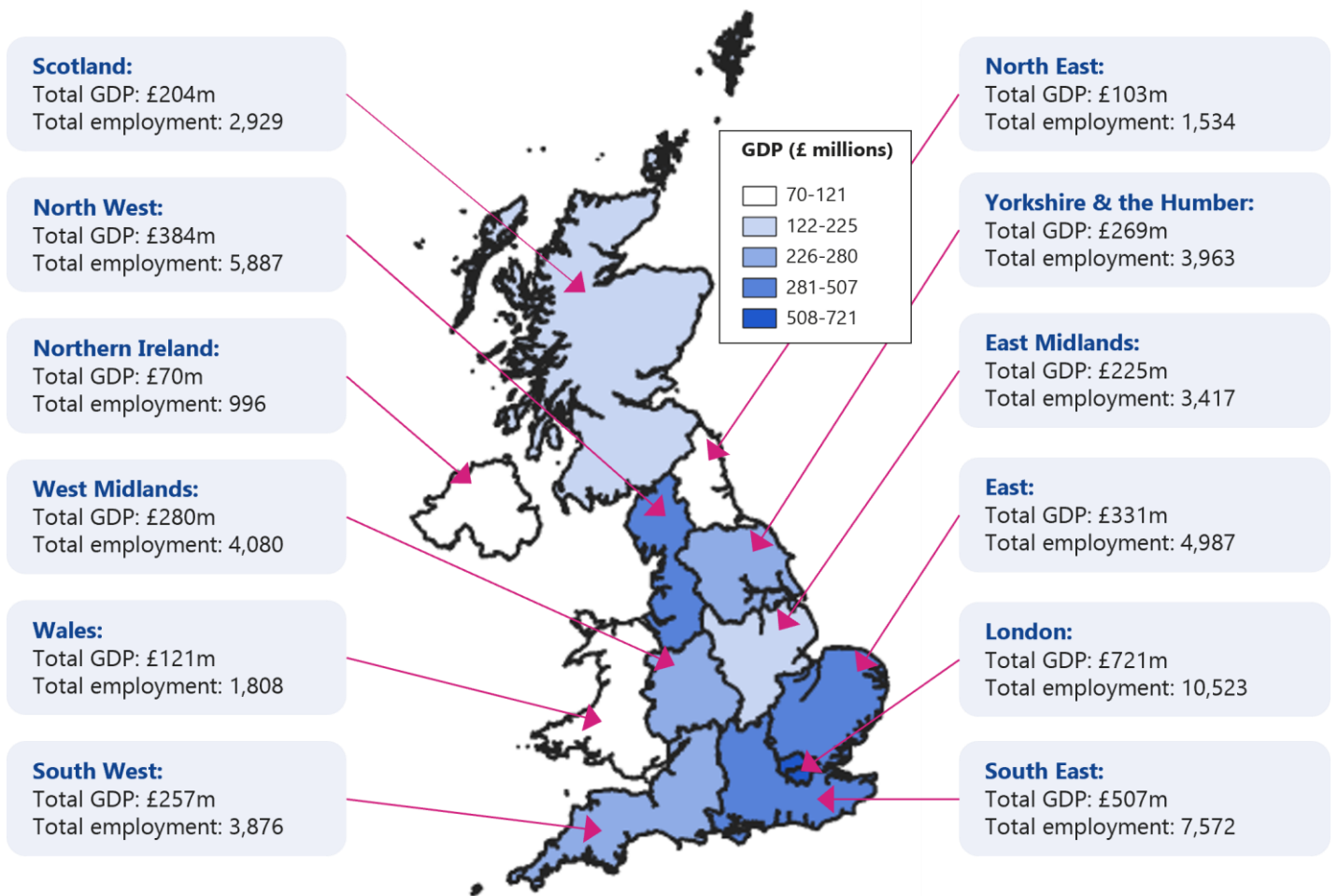
3.3. UK regional economic impact over the past year

iwoca loans impact every region of the UK

iwoca's lending reached every region of the UK, with 79% of SMEs funded by iwoca being based outside of London. The economic activity supported by iwoca's loans was greatest in London, with 21% of the total economic impact. (See Figure 7.)

The regional distribution of the economic impact is largely unchanged from the previous report. The impact was disproportionately large in the North West, the East of England, the West Midlands and the Yorkshire and Humber. These regions respectively represented 10%, 8%, 7% and 7% of overall national GDP in 2023 - the latest year available. By comparison, these regions contributed a larger 11%, 10%, 8% and 8% of the impact of iwoca's lending on the UK economy, respectively.

Figure 7: UK GDP and employment supported by iwoca's lending by region in the 12 months to 31 January 2026



Sources: Capital Economics, iwoca and ONS

4. Appendix

4.1. Economic impact methodology

In order to estimate the economic impact of iwoca’s lending on the UK economy, data was collected on iwoca’s entire loan book. Metrics collected included loan value, company revenues, location and industry sectors for the UK.

Estimates are consistent with the methodology used in our previous report (available [here](#)). Multiplier effects are updated to account for differences in the sectoral make-up of iwoca’s loan book. Growth in iwoca’s lending is consistent with growth in the outstanding principal of iwoca’s customers.

Economic impacts were estimated using Capital Economics’ input-output models by sector to generate results for direct, indirect and induced Gross Value Added (GVA) and employment.

Capital Economics’ input-output models are based on official input-output tables published by the Office for National Statistics for the UK.

Direct impacts were split using the geographic information provided by iwoca. Indirect and induced impacts were split using official employment data by sector and geography.

Economic impact analysis was conducted on iwoca’s loan book for the twelve months to 31 January 2026.

Cumulative estimates were generated using growth in outstanding principal of iwoca’s customers. This was combined with adjustments to multipliers over time based on detailed input-output analysis on iwoca’s full loan book for three points in time distributed over its lifespan.

4.2. Success rate analysis methodology

We collected anonymised userIDs for every iwoca customer in the UK, as well as the date that they received funding.

Companies House postings data were matched to each userID. Key variables include the incorporation date, as well as the latest date that a company had been listed with a gazette notice signalling failure, notice of dissolution, insolvency, or liquidation (if at all).

Our analysis focuses on firms that were incorporated between 2020 and 2025. The sample included 23,001 unique userIDs.

There was a relatively even distribution of businesses’ incorporation dates across 2020, 2021, 2022 and 2023 that received funding from iwoca. (See Figure 8.)

Figure 8: Success analysis of iwoca’s loan book by year of incorporation and business age (number of businesses)

		Year				
		2020	2021	2022	2023	2024
Business age	Incorporation	5,340	5,085	5,005	4,922	2,529
	1-year	5,340	5,085	5,005	4,922	2,528
	2-years	5,336	5,081	4,986	4,879	-
	3-years	5,296	5,019	4,873	-	-
	4-years	5,201	4,844	-	-	-
	5-years	4,988	-	-	-	-

Sources: Capital Economics and iwoca

These results compare summary statistics of success rates from iwoca’s loan book with those of the UK business population. The analysis is not causal, and biases may exist, e.g., iwoca may lend more or less to firms with higher or lower success prospects. To reduce bias, we accounted for year of incorporation and adjusted success probabilities based on how long each business had operated for before receiving a loan. iwoca also tends to lend to businesses that may not be able to access mainstream finance, which would more likely bias success rates downward rather than upward.

4.3. Success rate tables

Figure 9: Success rates of iwoca's UK customers that receive a loan one year after incorporation, by incorporation year and years since the loan (%) (Equivalent statistic for total UK business population from Companies House in parentheses)

		Year of incorporation			
		2020	2021	2022	2023
Number of years since year of loan	1-year	100% (66%)	100% (66%)	99% (63%)	99% (61%)
	2-years	92% (53%)	92% (55%)	91% (51%)	-
	3-years	82% (46%)	80% (46%)	-	-
	4-years	68% (39%)	-	-	-

Sources: Capital Economics, iwoca, and Companies House

Figure 10: Success rates of iwoca's UK customers that receive a loan two years after incorporation, by incorporation year and years since the loan (%) (Equivalent statistic for total UK business population from Companies House in parentheses)

		Year of incorporation			
		2020	2021	2022	2023
Number of years since year of loan	1-year	100% (80%)	100% (82%)	99% (80%)	-
	2-years	94% (70%)	94% (69%)	-	-
	3-years	84% (60%)	-	-	-

Sources: Capital Economics, iwoca, and Companies House

Figure 11: Success rates of iwoca's UK customers that receive a loan three years after incorporation, by incorporation year and years since the loan (%) (Equivalent statistic for total UK business population from Companies House in parentheses)

		Year of incorporation			
		2020	2021	2022	2023
Number of years since year of loan	1-year	100% (87%)	99% (84%)	-	-
	2-years	95% (74%)	-	-	-

Sources: Capital Economics, iwoca, and Companies House

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