The Hidden Cost of App-Switching

How disconnected digital tools cost the UK economy £31 billion a year

Sage

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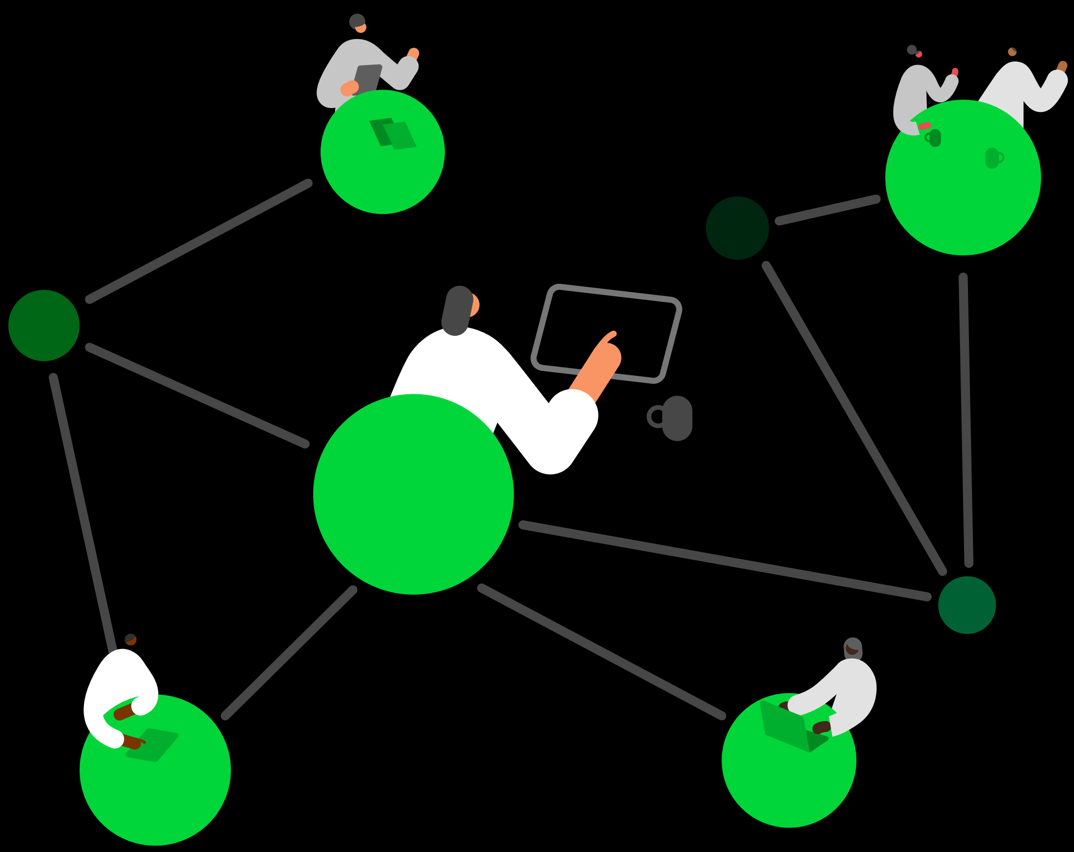


About the research

This report is based on two new surveys commissioned in 2026 by Sage, in partnership with Strand Partners.

The first surveyed **1,500 owners and senior decision-makers at UK small and medium enterprises (SMEs)**, weighted to be representative of the UK SME population by size, sector and region. The second surveyed **101 "tech experts," senior decision-makers at software platforms serving SMEs**, including banks and regulated financial institutions.

Throughout this report, the term 'SME' refers to businesses with fewer than 250 employees, including sole traders. Full details of the sample, weighting and the calculations behind the headline figures are set out in the methodology section at the end of this report.

Foreword by Steve Hare, CEO of Sage

Starting a business has never been easier. Running one should be too.

Technology has transformed what small businesses can achieve. Today, a retailer can sell globally from a laptop, a plumber can manage invoices from a smartphone, and a growing business can access tools and insights once reserved for large organisations.

Yet for many businesses, success is still held back by something surprisingly simple: disconnected systems.

Small business owners don't spend their days thinking about accounting platforms, payment providers, or software integrations. They spend their days making decisions. Whether to hire, invest, manage cash flow, improve performance or plan for growth.

The challenge is that the information needed to make those decisions is often scattered across multiple apps and systems. Banking in one place, accounting in another and invoices somewhere else.

At Purple Creative, office manager Amanda Winstanley knows the cost of disconnected systems first-hand: "Every new customer of ours has to be manually entered into five different systems. Even for the most straightforward project, that can take 15 or 20 minutes before the work has begun."

Across the economy, those minutes add up.

Our research shows the average UK small business now relies on 52 digital tools and 27 separate logins. Nine in ten regularly re-enter or move data between systems. The result is 19 working days lost every year to manual tasks that technology should be removing.

Across the UK's 5.5 million SMEs, that's £31 billion in lost productivity every year.

Unlocking that lost potential represents one of the clearest opportunities to support growth across the economy. Achieving it will require a new focus on how digital services work together.

The next phase of digital transformation isn't about giving businesses more technology. It's about helping the technology they already use work better together.

When systems connect, invoices can trigger payments automatically. Financial data can move securely between trusted providers. Payroll, tax and compliance become more efficient. Accountants have access to more accurate, real-time information. And business owners gain a complete view of their business, helping them make faster, better decisions with confidence.

This is becoming even more important as AI transforms the way businesses operate.

AI can automate routine tasks, improve forecasting, and unlock new insights. But AI is only as powerful as the data behind it. When information is trapped across disconnected systems, its value is limited. Four in ten SMEs tell us they want to do more with AI but are held back by fragmented data.

Unlocking the potential of AI starts with fixing the foundations. That's why creating a more connected digital economy matters.

Reforms such as e-invoicing, Open Finance and a trusted Digital Company ID can help remove friction from the economy, improve the flow of information, and create the foundations for the next generation of digital and AI-powered services.

For government, this is about more than digital policy. It's an opportunity to boost productivity, support growth and help millions of small businesses invest, innovate and create jobs.

Get this right, and £31 billion could be reinvested into the UK economy.

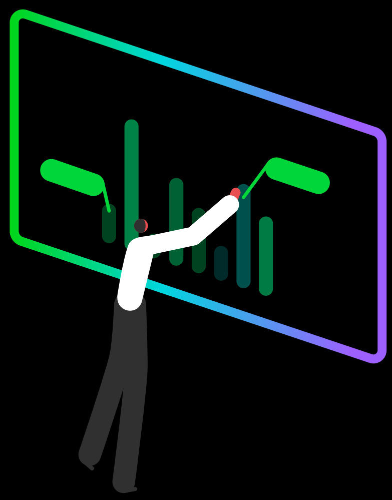
The prize is clear. The solutions are within reach. What's needed now is the ambition to deliver them.

Steve Hare,
CEO, Sage.

Executive Summary:

Key findings & recommendations

A survey of 1,500 UK SME decision-makers reveals the hidden cost of running a business across dozens of disconnected tools, and the prize for connecting them.



Key findings

1. Managing digital tools has become a second job

The average UK SME runs its business across 52 digital tools with 27 separate logins. These include tools for accounting, banking, invoicing, customer management, HR and more, and even the typical sole trader working alone juggles 44 of them. More than a third (35%) now spend more time on financial admin than they did three years ago.

2. Disconnected systems cost businesses 19 working days every year

Nine in ten SMEs lose meaningful time moving and re-entering data between systems that do not connect, at an average of 2.9 hours a week. Over a year that adds up to 19 working days, worth an estimated £5,700 per business and £31 billion across the economy.

3. Businesses are flying blind when it comes to finance

Only one in ten SMEs can see their full financial picture in one place. This makes it harder to understand cash flow and performance: 42% regularly make financial decisions without all the information they need, while almost 7 in 10 SMEs using more than one finance tool suffered a negative consequence in the past year, from financial errors to missed tax deadlines.

4. App-switching locks businesses out of finance

Applying for finance requires a business to provide lenders with an accurate and up-to-date picture of its performance, yet seven in ten SMEs that applied for external finance in the past three years faced obstacles, many linked to retrieving and assembling financial information manually. Almost 3 in 4 (73%) say a loan application would be easier if their financial data sat in one place.

5. SMEs are ready for AI, but their data is not

AI can help small businesses forecast cash flow, identify errors and automate routine financial tasks, but its value depends on having access to accurate, connected information. Yet 42% of SMEs want to use AI more but say their financial data is too spread out for it to be useful, and more than half (53%) would be more confident using AI with their data connected in one place.

52
digital tools used by the average UK SME

19 days
lost to app-switching every year

£5,700
the estimated annual value of that time per business

Policy Recommendations

Based on these findings, we have outlined four policy recommendations for Government to implement to help small businesses overcome the challenge of app-switching.

Each of these measures builds on existing positive action by Government and helps create a more connected digital economy where SMEs can move between systems and access the support they need with less friction.

1. E-invoicing

Government should use the forthcoming E-invoicing Implementation Roadmap to confirm the scheme's technical standards and plans for a communications programme to drive up awareness.

2. Open Finance

Government and FCA should establish the legal and regulatory framework for an SME lending scheme, including the datasets to be made available and the commercial model for delivering the scheme, so that it can move rapidly from design to implementation.

3. Digital Company ID

Government should work with industry to establish the legal framework, trust standards and interoperable infrastructure needed for a reusable Digital Company ID, removing the need for businesses to repeatedly prove who they are when opening bank accounts, accessing finance, complying with regulations or interacting with government services.

4. AI governance frameworks

Government should work with international partners to establish common global AI standards and governance frameworks that create a consistent global approach to responsible AI, giving small businesses the confidence and trust to use AI for financial tasks.

PURPLE CREATIVE

Purple Creative is a tight-knit agency providing services from web design to marketing, for clients of all sizes. Office Manager Amanda Winstanley talks about the admin challenge of keeping the business running smoothly.

Running the business means running between apps

"I didn't realise how many apps and tabs I have open just to do one task. I'm constantly dipping from one to another; it's only seconds and minutes lost, but they add up. It's especially frustrating entering the same details again and again. Every new customer has to go into our CRM, accounting software, renewal spreadsheet and cash flow forecast, before raising a ticket for the work. That's five systems, taking 15 to 20 mins to set up, even for the most straightforward project."

An up-to-date picture demands constant manual upkeep

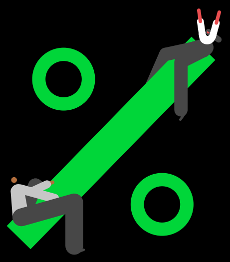
"Phil, our MD, looks at the numbers daily, so the accounts, the CRM and all our spreadsheets always need to be completely up to date. Every morning we pull off the bank transactions, reconcile the accounts, update the renewal sheets and marry up the payment fees.

You're checking and double-checking all the time, especially when several people are working in the same spreadsheet. A date or a figure can easily get entered incorrectly. I'd love it if the system ensured the data was all consistent and matched up but, as it is, there's no nudge or check."

In a small team, every hour saved goes straight into growth

"We're a small and busy team, so every pocket of time counts. I like planning marketing projects, so if I had some time freed up, I'd get more involved in that. I'd also enjoy focusing more on building client relationships instead of just chasing invoices. There's always extra stuff we want to do to move the business forward."

Amanda Winstanley, Office Manager



The Challenge: The Second Job

52 digital tools used by the average UK SME

44 tools juggled by even a typical sole trader

35% of SMEs use more financial tools than three years ago

How app-switching became a barrier to running a business

Digital tools have transformed what a small business can do. A sole trader today can chase invoices, manage cash flow, access finance and file taxes with software that would once have needed a whole back office.

Our research found that 98% of small businesses use digital tools for at least one financial admin task and 4 in 5 say digital tools play an important role in running their business. These tools span every corner of business life, including accounting software, business banking apps, payment software, customer databases, project management apps and HR systems.

But this shift has come with a hidden cost, caused by the sheer number of different apps that small businesses now have to manage. The average UK SME runs their business across 52 digital tools with 27 separate logins.

What app-switching looks like in practice

A self-employed electrician finishing a rewiring job on a Monday afternoon. She raises a £1,000 invoice in her accounting app and the customer pays by card. The payment is processed through a separate platform before sending the money to her bank account. To make sure her records are accurate, she has to log into her accounting software, payment platform and banking app to work out how the invoice, fee and bank deposit relate to one another. The information exists digitally, but because it sits across disconnected systems, she is left to reconcile it herself manually. One job, three systems, and time spent manually connecting information that should already fit together.

Tool counts rise with headcount: businesses with 1 to 9 staff average 60, those with 10 to 49 average 107, and those with 50 to 249 average 164, while even a typical sole trader working alone juggles 44.

Focusing only on tools for managing money, the average SME uses close to five separate apps for everyday tasks such as accounting, banking, raising invoices, taking payments and managing tax.

The burden is growing. More than one third (35%) of SMEs use more financial tools than they did three years ago, compared with just 16% that use fewer, and almost 4 in 10 (38%) say managing them has become more complex. A further 35% now spend more time on financial admin than three years ago, compared with only 15% that spend less.

Digitalisation has helped to relieve the pressure of back-office admin but for many SME leaders, managing their digital tools is now a second job.

Average number of digital tools used, by business size

Question: Please think carefully about every digital tool, app, or platform your business uses, including ones you use occasionally / ones that run in the background. Approximately how many does your business use in total?
Base: Owners and senior decision-makers at UK SMEs.

The reality of app-switching

Each app a business relies on usually does its own job well; the problem is what happens between them.

Take something as simple as a single invoice: it might be raised in one system, paid through another, recorded in a third and reconciled in a fourth, with the owner logging in, copying the figures across and checking them at every step, because none of these systems talk to each other.

We call this **app-switching**: the constant cross-checking between systems required to make a business's own information line up.

Our survey found that **9 in 10 SMEs lose meaningful time moving and re-entering data between systems that do not connect**. That is time they could spend on the things that actually grow a business: selling to customers, marketing, developing new products or training their staff.

For a typical SME, the additional admin work caused by app-switching takes an average of 2.9 hours a week, and over a year it adds up to **19 working days**. That is nearly a month of the working year, **worth an estimated £5,700**, spent keeping systems in operation rather than running the business.

App-switching also scatters the information a business needs across different places. Our research found that almost half (46%) of SMEs hold their financial data in separate systems that do not connect, such as accounting software, business banking apps, invoicing platforms, payment systems and spreadsheets. Only **10% can see their overall financial picture on a single platform or dashboard**, while 53% still piece it together manually, either by logging into each system separately or by downloading data into a spreadsheet.

A further 29% rely on their accountant or bookkeeper to assemble the whole picture for them. For those businesses, disconnected systems move the burden rather than removing it. Their accountant's time goes on chasing information and stitching records together instead of advising on what the numbers mean.

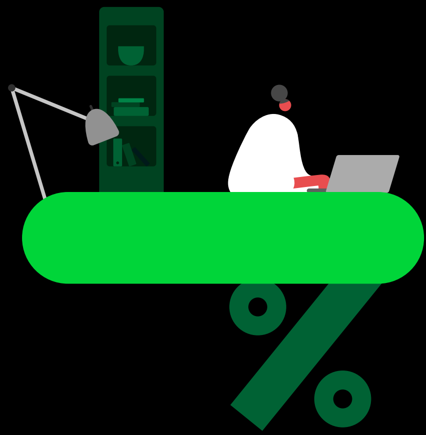
As well as lost time, the result is a lack of confidence: while more than 8 in 10 SMEs (84%) are confident that the data inside each of their systems is accurate and up to date, only 63% are confident in their view of their overall financial position, and 31% are not. Small businesses trust their tools individually; it is the overall picture that app-switching makes hard to see. This also limits what AI can do for the business. If information is fragmented or out of date, AI cannot draw on a complete financial picture to provide reliable insights or automate tasks across different systems.

Managing so many logins also invites security risks, with 30% of SMEs that use multiple finance tools admitting to using the same password, or a variation of it, across their financial platforms.

10% **can see their overall financial picture on a single platform**

31% **are not confident in their financial position**

30% **reuse passwords across financial platforms**



The impacts of app-switching

Operating dozens of disconnected tools limits a business's efficiency, slowing cash flow, introducing manual errors and preventing owners from seeing a clear, real-time view of their performance.

The costs are immediate. Almost 7 in 10 SMEs (68%) using more than one finance tool suffered at least one negative consequence in the past year alone.

Locked out of finance

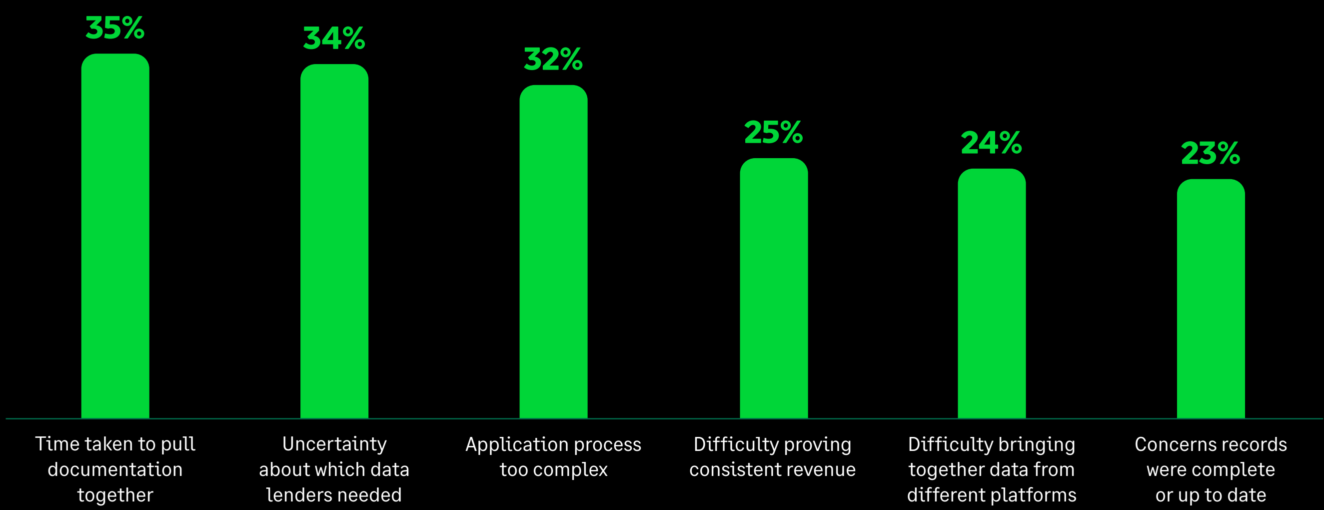
App-switching is standing between small businesses and the finance they need to grow. Many rely on loans and investment to operate, and applying is far harder when the data lenders need is scattered across separate platforms.

The information lenders need exists inside the business's systems, but assembling it into a coherent, verifiable picture is a slow manual project that stands in the way of growth.

Tax and lending are exactly where small businesses lean on professional advice. Almost 6 in 10 SMEs (58%) say that when the stakes are high they always turn to an accountant rather than software. Many treat their accountant as a way of taking risk off their own shoulders, and scattered data makes that adviser's job hardest at the moment it matters most.

- *Of the SMEs that looked for external finance in the past three years, 7 in 10 (70%) faced at least one obstacle along the way.*
- *The most common challenge was the time taken to pull documentation together (35%), followed by uncertainty about which data lenders actually needed (34%) and an application process that felt too complex (32%).*
- *Almost 1 in 4 SMEs (24%) struggled specifically to bring together data held across different platforms.*

Challenges faced when applying for external finance (% of SMEs that applied in the last three years)



Question: You said earlier that your business has applied for, or considered applying for, external finance or a business loan in the past three years. Which of the following challenges, if any, did you experience when putting together the financial information that was required? Please select all that apply.
Base: Owners and senior decision-makers at UK SMEs that applied for external finance.

Money moves through businesses in the slow lane

For many SMEs, getting paid and paying suppliers and staff means money passing through several different systems that do not talk to each other. That slows cash through the business and makes transactions harder to track as they happen.

Money arriving late or sitting unaccounted for in the gaps between systems is a serious risk. When tools allow money to move more smoothly, it relieves owners of the admin stresses that keep them from higher-level work.

- *More than 1 in 4 SMEs (28%) using multiple finance tools struggled to track outstanding invoices or payments owed to them in the past year.*
- *Close to 4 in 10 SMEs (37%) said app-switching made it difficult to predict cash flow accurately.*

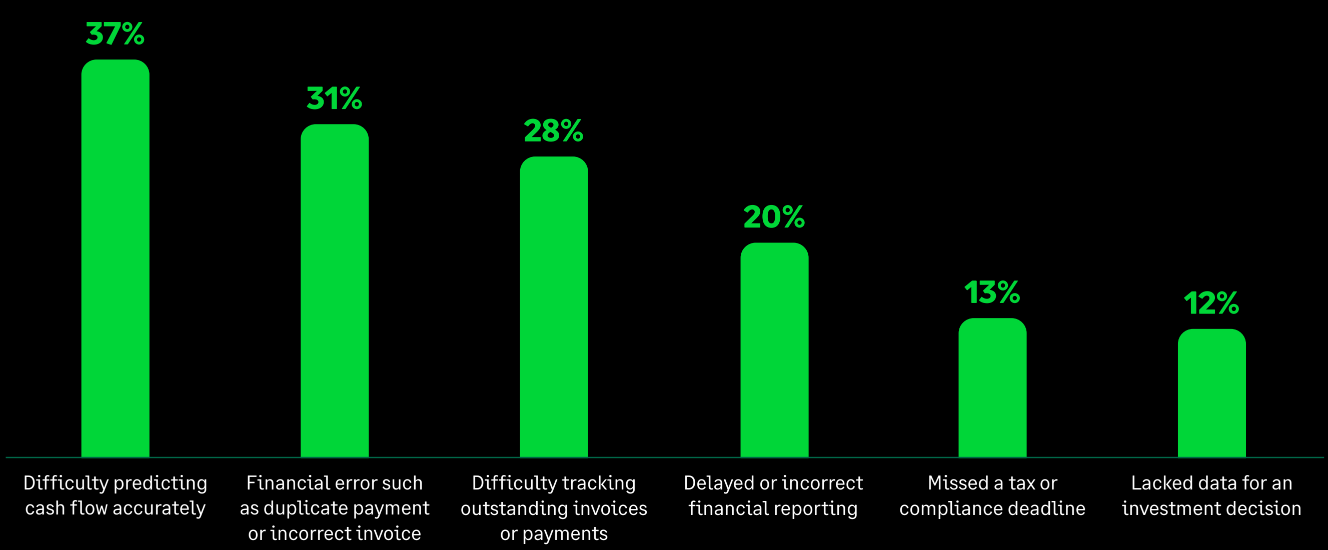
Costly mistakes

Small businesses often spend hours re-entering figures by hand and checking that the numbers in different systems match, and every manual step increases the risk of errors.

Errors like this really matter, showing up in higher running costs across the business.

- *Almost one third (31%) of SMEs using multiple finance tools experienced a financial error in the past year, such as a duplicate payment, an incorrect invoice or a miscalculation.*
- *1 in 5 SMEs (19%) reported delayed or incorrect financial reporting, and more than 1 in 10 (13%) missed a tax or compliance deadline altogether.*
- *More than half of SMEs (54%) say their running costs are higher than they should be as a result of digital systems that do not connect well.*

Consequences of fragmented financial data in the past year (% of SMEs using two or more financial tools)



Question: In the past year, has your business experienced any of the following as a result of your financial data being held across multiple different digital apps, tools, or platforms? Please select all that apply.
Base: Owners and senior decision-makers at UK SMEs using more than one tool.

Flying blind

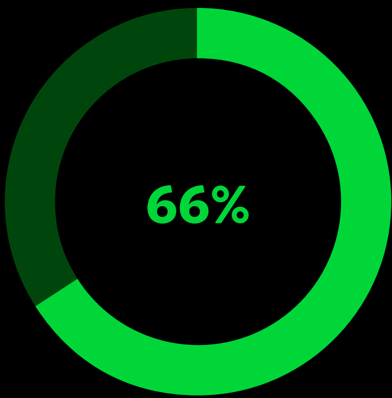
Without a real-time view of the financial health of the business, owners are making decisions with one hand tied behind their back.

- *Only 1 in 10 small businesses can see their full financial picture in one place.*
- *62% of SMEs say having their data spread across different systems makes it harder to see the financial health of their business.*
- *More than 4 in 10 SMEs (42%) regularly make financial decisions without all the information they need.*
- *More than a quarter of SMEs using multiple finance tools (28%) have found out that their financial position was worse than they thought because they lacked an up-to-date picture of it.*
- *More than half of SMEs (54%) have paid a price for slow verification, including almost 1 in 5 (17%) that had to turn down or cancel an order and 13% that lost money to a fraudulent supplier.*

Strategy and innovation lose out to admin

The impact of app-switching extends beyond the numbers to the running of the business itself. A business owner spending their day reconciling systems has little left over for thinking about growth or direction.

66% of SME leaders say they rarely or never have the headspace for strategic financial planning, with almost 1 in 10 (9%) saying they never do.



Question: Thinking about your current workload, how often, if at all, do you feel you have enough time and headspace to focus on the strategic direction of your business, for example, thinking about long-term planning, new opportunities, or innovation?
Base: Owners and senior decision-makers at UK SMEs.

The Opportunity: When Digital Tools Work as One

How connected digital services can unlock investment, improve access to finance and support small business growth

Connecting digital services would give small businesses more time, better financial information and easier access to the finance they need to grow.

Our research shows that SMEs would reinvest the time and money currently lost to app-switching in finding new customers, strengthening cash reserves, investing in equipment and technology, and hiring more people.

Small businesses already use a wide range of digital tools to meet different needs. The opportunity is to make those tools work better together, removing time-consuming manual processes and making it easier to manage payments, payroll, invoicing, tax compliance and lending. Connecting the data held across these services would also give AI the complete, up-to-date information it needs to provide more useful insights and automate tasks reliably.

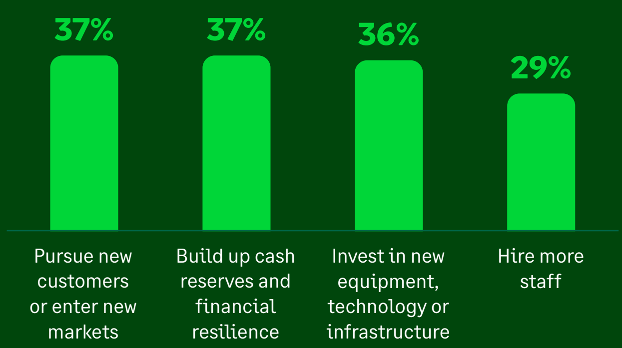
This would not require businesses to move every function onto a single platform or give up their choice of providers. A more connected digital economy would preserve competition and customer choice while enabling information to move securely between trusted services. The result would be less administration, more efficient businesses and greater capacity for investment and growth.

What small businesses would do with the 19 days a year lost to app-switching

Our research found that if small businesses regained the time and money lost to app-switching, they would put it straight back into the business. Over half of SMEs (51%) expect to spend fewer hours on admin if their financial services were connected in one place, and 73% say applying for a business loan or external finance would be easier if their financial data was held in one place. These are immediate operational gains, with faster-moving, better organised money opening up access to finance.

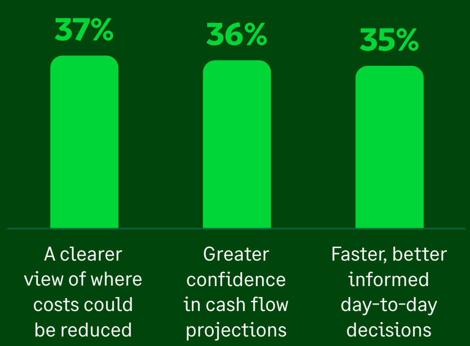
The prize reaches well beyond individual businesses. Across the UK's small business population, the 19 lost days are worth an estimated £31 billion a year.

What SMEs would do with the time and money regained



Question: If your business spent significantly less time and money on financial admin, which of the following would you be most likely to do with the resources freed up? Please select all that apply.
Base: Owners and senior decision-makers at UK SMEs.

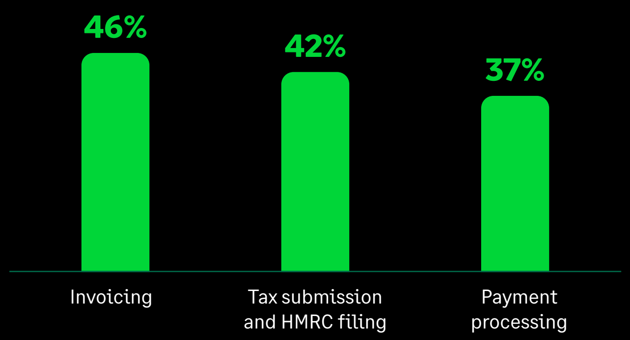
What a complete, real-time financial picture would give SMEs



Question: Imagine your business could access all of its financial tools, services, and data through one integrated platform. What benefits, if any, would this give your business? Please select all that apply.
Base: Owners and senior decision-makers at UK SMEs.

Small businesses want their tools to work together

Asked which services they would most value seeing brought together, SMEs would prioritise the everyday plumbing of the business.



Question: Which of the following financial or business services would be most valuable to your business if they were available as part of your business's banking platform / accounting software, without needing to log in to a separate tool or application? Please select all that apply.
Base: Owners and senior decision-makers at UK SMEs.

- *More than half of SMEs (54%) say they would be likely to switch to a provider offering a fully integrated platform.*
- *3 in 4 SMEs (74%) want their providers to work together so that their information flows automatically between systems.*
- *6 in 10 SMEs (60%) would be likely to take up financial services offered through a platform they already use and trust.*
- *Almost half of SMEs (49%) say they are more likely to stay with a platform where their accountant can work alongside them, and only 18% disagree.*

Better connected data unlocks AI for small businesses

AI is the clearest example of how far small business technology has come, with tools that can forecast cash flow, flag errors and automate receipts giving sole traders insights once reserved for large organisations. But AI becomes much more useful when it can draw on accurate information from across the business, rather than working from data trapped in separate systems. In finance, AI output cannot just be mostly right; it must be 100% accurate every time.

Our research found that SMEs are ready for AI, but their data is not. The advent of agentic AI, systems that do not just answer questions but carry out tasks on a business's behalf, only adds to the imperative. These tools work best when an agent can see and act across a business's finances in one place. Building more effective integrations and data flows between services lays the groundwork for the AI tools that will define how small businesses operate tomorrow.

Delivering this connected foundation will require providers to work together, integrating trusted services and enabling data to flow securely between them.

- *More than 4 in 10 SMEs (42%) want to use AI more but say their financial data is too spread out for it to be useful.*
- *More than half of SMEs (53%) would feel more confident using AI if their financial data sat in a single platform.*

Software providers are already proving the model

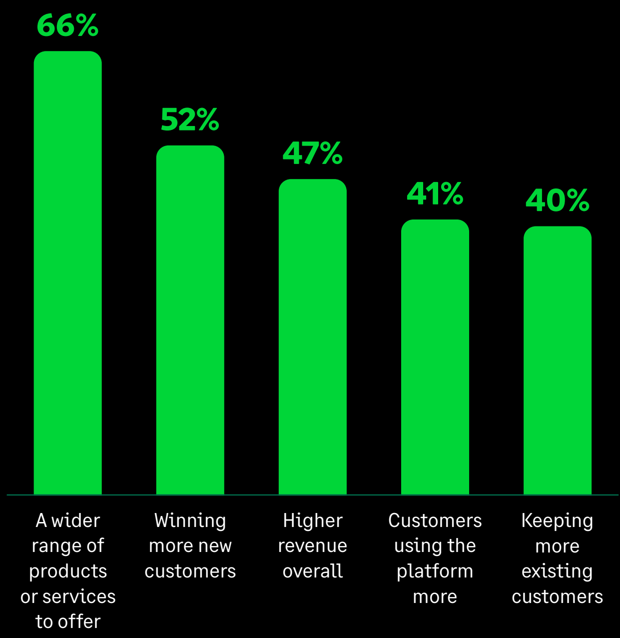
Technology providers recognise the potential in greater collaboration, and many are already partnering to offer more streamlined services. As more companies look to meet SMEs' need for simplicity, this kind of collaboration is likely to move from niche differentiator to an essential part of how software companies compete.

Increasingly, this collaboration takes the form of "embedding partnerships". This is where one company builds products or services from another company directly into its platform, allowing customers to do more without leaving the software they already work in. For example, a small business accessing banking services inside its accounting software, or lending options offered inside an e-commerce platform.

These partnerships go deeper than referral arrangements, as they present the customer with a single experience. For platforms, this offers a faster route to offering new products or services than building from scratch. Almost two thirds of embedding partnerships (64%) went live within six months of the decision to partner, and 57% of platforms saw a return on their investment within a year. Technology and finance companies are also recognising the accountant's place in this picture. A growing number are building accountant access into their platforms, so an adviser can work directly in the same records as their client rather than asking for exports and reconciling them by hand.

- *Almost 4 in 5 platform decision-makers (78%) say SMEs expect more convenience than they did three years ago.*
- *Asked what SMEs need most from their digital tools, they put ease of use (62%) and integration with the tools a business already uses (58%) at the top of the list.*
- *More than 6 in 10 platforms (62%) say building major new features in-house typically costs more than expected, and 38% say a major feature takes over a year to bring to market.*
- *Almost 6 in 10 platforms (58%) have already embedded a product or service into another platform, or another's into their own.*
- *More than 7 in 10 tech experts (72%) believe these partnerships could transform their industry, 68% expect them to become a standard part of how platforms compete within five years, and two thirds (67%) believe platforms that do not partner risk falling behind.*

Benefits platforms saw from their most significant embedding partnership (% of platforms that have partnered)



Question: Which of the following benefits, if any, did your business see from the most significant time it partnered with another business to build their product or service into your platform, or to build your product or service into their platform? Please select all that apply.

Base: Senior decision-makers at software platforms serving SMEs and who have embedding experience.

Better records make better advisers

Accountants and bookkeepers sit at the heart of small business finance. As the previous chapter showed, almost one third of SMEs (29%) rely on them to assemble their overall financial picture, and much of that work today is spent chasing missing information and tidying up records pulled from disconnected systems.

Small businesses are not looking to cut their accountant out. Asked what e-invoicing would deliver for them, only 7% of SMEs point to relying less on their accountant or bookkeeper, the lowest of any benefit listed. What they want is an adviser working from better information.

Tools and services which work more effectively together deliver this in two ways. First, when a business's tools work together, its records are cleaner, more consistent and up to date throughout the year rather than assembled at deadline time. That removes the manual clean-up from the accountant's job. Second, and more valuable, it gives accountants a live and complete picture to advise from, so they can make better informed recommendations on tax, cash flow, finance and growth. More reliable and up to date data does not replace professional advice. It raises its value to the business.

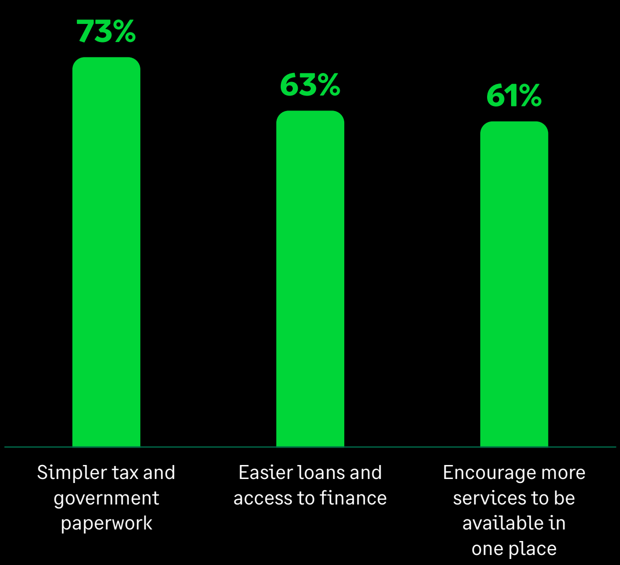
Policy Recommendations: Building a Connected Digital Economy

Reducing app-switching to unlock productivity and innovation

The Government has taken important steps to shape the UK's digital economy through e-invoicing, Open Finance and AI governance, while industry-led work has demonstrated the potential of company digital verification.

Together, these reforms can create the foundations for business information to move securely between trusted services, reducing app-switching and giving SMEs a more complete, up-to-date view of their finances. Realising that opportunity will require faster progress: delivering a clear roadmap for e-invoicing, moving Open Finance for SME lending into implementation, establishing a legal framework for a Digital Company ID and working with international partners to support a consistent approach to responsible AI.

What SMEs want government to prioritise (% rating a high priority)



Question: Thinking about what the UK Government could do to support small businesses, how much of a priority do you think each of the following should be?
Base: Owners and senior decision-makers at UK SMEs.

Small businesses support these efforts. More than seven in ten (72%) want simpler tax and official paperwork, 63% want easier access to loans and finance, and 61% want more services available in one place. Together, the reforms would reduce administration, improve access to finance and enable information and money to move more seamlessly across the economy. They would also increase the availability of accurate, structured and verified business data, creating stronger foundations for trusted AI.

This section sets out each of these foundations in turn: why it matters, where policy stands today and what Government should do next to make a connected digital economy work for small businesses.

E-invoicing

Invoices that flow straight between systems

Open finance

Faster, fairer access to finance

Digital Company ID

Prove it once, use it everywhere

Trusted AI

Standards and data ready for AI

E-invoicing: faster payment, less paperwork

Much of the app-switching described in this report traces back to the invoice. Raised in one system, sent in another format, paid through a third and reconciled by hand, the invoice is where disconnection costs small businesses most. E-invoicing changes this at source: standardised digital invoices flow straight between business systems, so invoice data moves automatically rather than being manually switched from one app to another, and every invoice creates the kind of tidy, consistent and structured data that AI tools need to give reliable answers.

Small businesses can already see the benefits. Asked what e-invoicing would deliver for them, SMEs point first to less time processing and chasing invoices (44%), followed by fewer invoicing errors and disputes (37%), faster payment from customers (34%) and better visibility of payments and cash flow (29%).

Government policy is moving in the right direction. The e-invoicing mandate is confirmed for all VAT invoices from April 2029, and HMRC's announcement that Peppol, the international network standard for exchanging e-invoices, will underpin the UK system has given software providers the clarity to begin technical planning, but important questions remain open.

The final data and security standards, the design of Peppol accreditation points and how businesses will be identified on the network are yet to be finalised. Awareness among businesses is also low, and larger firms with complex finance systems will need the longest lead time to prepare.

The E-invoicing Implementation Roadmap due at the Autumn Budget is an opportunity to confirm two steps that are essential to make e-invoicing a success:

1. The Roadmap must set out the final technical standards and the design of Peppol accreditation points. This should also confirm how businesses will be identified on the network, so software providers can plan ahead of 2029.
2. The Roadmap should set out plans to begin a preparatory communications programme in partnership with industry well ahead of the 2029 launch date, so that both SMEs and larger businesses understand the changes and the benefits e-invoicing can bring in good time.

44%

of SMEs expect e-invoicing to mean less time processing and chasing invoices

Open finance: faster and fairer access to finance

This report has shown how separate digital tools can make it difficult for small businesses to access finance, with 7 in 10 (70%) recent finance applicants hitting obstacles and reporting that the most common challenges are rooted in manually retrieving and assembling data. Open finance addresses this directly. When a lender can see a verified, up-to-date picture of a business, rather than waiting for it to be pieced together from downloads and spreadsheets, credit decisions become faster and fairer.

Accountants are often the ones assembling that picture on a business's behalf, and open finance would let them do it from verified, connected data rather than downloads and spreadsheets.

SMEs see the upside: almost 3 in 4 (73%) say loan applications would be easier if their financial data was held in one place.

The Financial Conduct Authority has already named SME lending as the first priority area for open finance and will publish a discussion paper in the final quarter of 2026.

The Government and FCA should move quickly with establishing the legal and regulatory framework for an SME lending scheme, including the datasets to be made available and the commercial model for delivering the scheme, so that it can move rapidly from design to implementation. A broad range of datasets is essential to supporting the growth of small businesses by enabling lenders to make faster and fairer decisions, while giving small businesses clearer, actionable insights into their financial health.

73%

of SMEs say loan applications would be easier with their financial data in one place

Digital Company ID: prove it once, use it everywhere

Every time a small business opens an account, applies for finance or onboards with a new platform, it proves who it is from scratch. Our research shows the cost of this: a quarter of SMEs (26%) have been asked to prove their business finances quickly and struggled to do so, and more than half (54%) have suffered at least one consequence of slow verification, from turned-down orders to money lost to fraudulent suppliers.

A Digital Company ID, a reusable and verified business identity that works across banks, lenders, platforms and government services, removes this repeated burden. SMEs expect it to deliver faster applications and checks (41%), fewer manual-entry errors (33%), an easier way to prove the business is legitimate (29%) and better access to finance, credit and services (26%).

41%

of SMEs expect a Digital Company ID to mean faster applications and checks

Digital Company ID is the connective link between the other digital foundations. E-invoicing needs a reliable way to identify businesses on the network, open finance needs data sharing that businesses permit and can trust, and AI is more reliable when it acts on verified data.

The groundwork has been laid: the Centre for Finance, Innovation and Technology (CFIT) Digital Verification Coalition has demonstrated the technical feasibility and the scale of the opportunity of a Digital Company ID with a proof of concept. What is now needed is a legal framework that enables a corporate digital ID scheme, similar to the UK's digital identity trust framework for individuals. Without it, the UK risks falling behind countries in the EU and globally on business identity.

Building on CFIT's work, Government should work with industry to establish the legal framework, trust standards and interoperable infrastructure needed for a reusable Digital Company ID, enabling businesses to verify themselves once and reuse that trusted identity across banking, finance, compliance and government services rather than repeatedly submitting the same information. The framework should align with international models, including eIDAS in the EU, to support cross-border trade and exporting businesses, and Digital Company ID should be recognised as the long-term solution for business identification within the UK's e-invoicing roadmap.

AI: building trust and getting small business data ready

The AI now arriving in everyday business software, from cash flow prediction to automated fraud detection, could give every small business the kind of financial insight that was once the preserve of large organisations. But small businesses will only rely on AI for a clearer view of their finances, operations and people if they are confident it is being built and used responsibly.

In finance, accuracy has to come first. A wrong figure in a cash flow forecast or a tax submission has real consequences, so AI tools must produce outputs that are consistently correct and reliable. Small businesses should also know when they are dealing with AI, be able to see how an answer was reached and check it against the underlying data, and stay in control of the final decision, with a person reviewing anything important before it is acted on. Throughout all of this, their data must be handled securely and privately.

At present, that confidence is harder to build than it should be. Countries and intergovernmental organisations are developing their own regulatory, standards and assurance approaches independently, and this fragmentation creates a disconnected landscape that makes it harder for small businesses to understand the responsible AI principles that underpin the tools they rely on. This results in caution and a slower rate of adoption.

Government should work with international partners to establish common global AI standards and governance frameworks that create a consistent approach to responsible AI, helping small businesses trust AI and use it with confidence for financial tasks. This could be led by the new AI Taskforce, leveraging the UK's deep expertise in AI governance and standards setting.

AI adoption among small businesses is often treated as a skills problem. Skills are one piece of the puzzle, but adoption is equally a data problem, rooted in how business information is stored and connected. More than 4 in 10 (42%) SMEs want to use AI more but say their financial data is too spread out for it to be useful, and 53% would be more confident using AI with their data connected in one place. The businesses most eager to adopt AI are being held back by the state of their data, and the reforms set out in this section, from consistent e-invoice data to data sharing that businesses control through open finance, are precisely what will make small business data ready for AI.

Government support for AI adoption should therefore prioritise data readiness alongside skills, joining up the push for AI adoption with the Government's smart data and e-invoicing programmes.

53%

of SMEs would be more confident using AI with their financial data connected in one place

Methodology

Strand Partners surveyed 1,500 owners and senior decision-makers at UK SMEs between 26.06.26 - 10.07.26. Results were weighted to be representative of the UK SME population by business size, sector and region. Strand Partners also surveyed 101 senior decision-makers at software platforms serving SMEs, including banks and regulated financial institutions, between 26.06.26 - 10.07.26. Where findings relate to a subset of respondents, such as businesses that have applied for external finance or platforms that have entered embedding partnerships, this is stated alongside the figure.

Average tool, login and time figures are means derived from banded survey responses. The 19 working days figure is calculated by multiplying the average 2.9 hours per week that SMEs report losing to moving and re-entering data between systems that do not connect by 52 weeks, giving 150.8 hours per year, divided by an eight-hour working day.

The estimated monetary value of this time is calculated by multiplying the 150.8 hours a year identified in the survey by businesses that could point to a significant time saving from eliminating app-switching, by an estimate of output per hour worked for those businesses of £37.80 per hour. This rate is derived by weighting the Office for National Statistics' output per hour worked in current prices for each industry section (ONS, Output per hour worked, UK, 18 August 2026 edition, 2025 annual data) by the share of surveyed businesses that could save time from app switching operating in each industry. Multiplying the two gives approximately £5,700 per business a year. Scaled across the UK's small businesses (Department for Business and Trade, Business Population Estimates), the total value is approximately £31 billion a year. Output per hour worked, the ONS's preferred measure of labour productivity, values an hour of time at the average economic output produced in an hour of work. Weighting it by industry reflects the sectors in which the surveyed businesses operate, rather than using the whole-economy average. Three technical adjustments follow the source data: mining, quarrying and utilities are valued at their combined output per hour because the survey groups them as a single sector; public administration is excluded because it is not part of the private sector business population; and real estate excludes imputed rental, in line with ONS productivity statistics.