

Solution to £23bn problem of late payments for SMEs lies in new online platform

- LawtechUK has published a feasibility study for a new technology-enabled solution to the problem of late payments - an 'SME online dispute resolution' platform.
- The study addresses the £23bn in SME late payment debt in the UK, costing SMEs £4.4bn each year to collect, and the cost, delay and complexity of traditional court procedures.
- New solution is estimated to empower UK businesses to resolve +200,000 disputes over a five-year period, accounting for £3.4bn in debt value.
- LawtechUK calls upon developers, policy makers, and the legal and tech community to consider how they can bring the technology and ethos to market.

Friday 11th August: LawtechUK has today published a feasibility study and proof of concept for a new technological approach to the late payment challenges facing British business – an 'SME online dispute resolution' platform, produced in partnership with a consortium of legal, technology and alternative dispute resolution experts from the University of Oxford, Oxford Computing Consultants, Resolve Disputes Online and Jur.

LawtechUK is a collaboration between Tech Nation, the LawtechUK Panel and the Ministry of Justice. In May 2020 it launched four initial programmes – including the exploration of an 'SME online dispute resolution' platform - to help accelerate the digital transformation of the legal sector to best serve the needs of business and society. The study is independent of Government and does not represent Government policy.

The study published today highlights the critical need to change how payment disputes are resolved – an issue affecting 72% of UK small businesses.¹ The lack of an efficient way of recovering debts costs the UK economy £2.5bn each year, with wider impacts for business owners, their employees and communities.² SME late payment debt has risen to £23.4bn and collecting money owed costs SMEs £4.4bn each year.³

LawtechUK's evidence for a new online platform

The study details how a new SME online dispute resolution platform can provide an affordable, easy to use way to recover unpaid debts, as an optional alternative to traditional court proceedings, which are time consuming, costly and can jeopardise business relationships. LawtechUK estimates the platform could empower UK businesses to resolve +200,000 disputes over a five-year period, accounting for £3.4bn in debt value, and enabling SMEs to resolve disputes within six to eight weeks.

LawtechUK has published a research study, business case and solution design detailing the mechanism through which it can be achieved - both operationally and financially. The solution deploys a

¹ Federation of Small Businesses, ['Tied Up: Unravelling the dispute resolution process for small firms'](#) (November 2016).

² Federation of Small Businesses, ['Stop late payments, save 50,000 small businesses'](#) (November 2016).

³ Pay.UK, 'UK SMEs face debt burden of £23.4 billion' (November 2019); Financial Times, 'UK businesses face fines for late payment of suppliers' (September 2020).

non-adversarial methodology to enable business relationships to be preserved, and provides a digital self-service experience, innovating on how disputes can be resolved.

The study anticipates that a first release of the online platform could be brought to market within nine months and provides the baseline design to enable this. It recommends a private and public sector co-funding structure, setting out how the platform could become financially self-sustaining within four years.

The service would sit alongside existing court infrastructure, providing user choice for dealing with disputes. Businesses would elect to resolve their disputes within the platform instead of starting legal proceedings in court, and any resolutions achieved through the platform would be legally binding. Enforcement of such resolutions could be facilitated through court where needed.

Seeking engagement to bring the new technology to market

LawtechUK is now encouraging potential developers and backers to take the online platform - or the principles within it - forward. While LawtechUK is not funding or developing the platform itself, it aims for the study to:

- Encourage innovative developers to build and finance the technology, which is recommended to come from a combination of public and private funding.
- Encourage government support, as a critical enabler of the platform in its initial stages.
- Raise awareness within the legal and tech community on the opportunity and methodology it presents. LawtechUK encourages feedback and ideas-sharing between dispute resolution and technology experts, policymakers and other interested parties.

Jenifer Swallow, Director of LawtechUK at Tech Nation, comments:

“Small businesses are critical to our communities and economy. Late payments cripple them and the legal system should be there when they need it. It should not be slow, adversarial and hard to access. Our LawtechUK study shows that technology can address this problem. Disputes can be resolved quickly and easily, and in a way that maintains business relationships. Delivering this online platform can help make the pain around late payments a thing of the past for SMEs.

“Our consultation on the study has been met with support in terms of the capability and approach of the platform. This is an opportunity to deliver business and justice outcomes through technology, and seize the moment to help recovery, growth, and innovation UK-wide.”

Richard Susskind, LawtechUK Panel member comments:

“This study offers a roadmap for the future of legal dispute resolution – an inexpensive, straightforward, online alternative to a traditional hearing but connected to the courts in case a formal judicial

determination is needed. The proposed system offers SMEs an easier and more affordable solution to sorting out their late payment problems. The result - greatly increased access to justice for small businesses.”

Helen Dodds and Mark Beer, co-chairs of the project comment:

“It’s been a great pleasure to work on this project alongside our talented consortium. The system we have come up with aims to do more than merely move adversarial proceedings online. It creates an asynchronous and resolution focused process that delivers ease of use within a constructive environment.”

This approach is an embodiment of the vision for civil justice reform now laid out by the new Master of the Rolls, Sir Geoffrey Vos, that embraces the best of public and private offerings to achieve optimal user outcomes in dispute resolution.⁴

ENDS

About LawtechUK

LawtechUK, is a government-backed initiative within Tech Nation, established to support the transformation of the UK legal sector through technology, for the benefit of society and the economy. The LawtechUK Panel was established in 2018 by the Secretary of State for Justice, and as a group of leaders and experts from the public and private sectors, acts as the advisory board to LawtechUK. Its members take an active role in LawtechUK’s work programme.

About Tech Nation

Tech Nation is the leading scaleup accelerator. Tech Nation fuels the growth of game-changing founders, leaders, and scaling companies so they can positively transform societies and economies. We provide them with the coaching, content, and community they need for their journey in designing the future. Tech Nation has years of experience facilitating and helping UK tech companies scale, both at home and abroad. Over 20 cohorts and 600 companies have successfully graduated from Tech Nation’s growth programmes. Alumni include Skyscanner, Darktrace, and Monzo.

About the project collaborators

The project was co-steered by Helen Dodds and Mark Beer, with Richard Susskind as chair for the overall LawtechUK taskforce. The feasibility study was produced in partnership with a consortium of legal, technology and alternative dispute resolution experts, comprising Dr Mimi Zou and Prof Thomas Melham from the University of Oxford, Oxford Computing Consultants, Resolve Disputes Online and Jur, who led on different elements of the project.

⁴ Master of the Rolls, [‘London International Disputes Week 2021: Keynote Speech’](#) (May 2021).