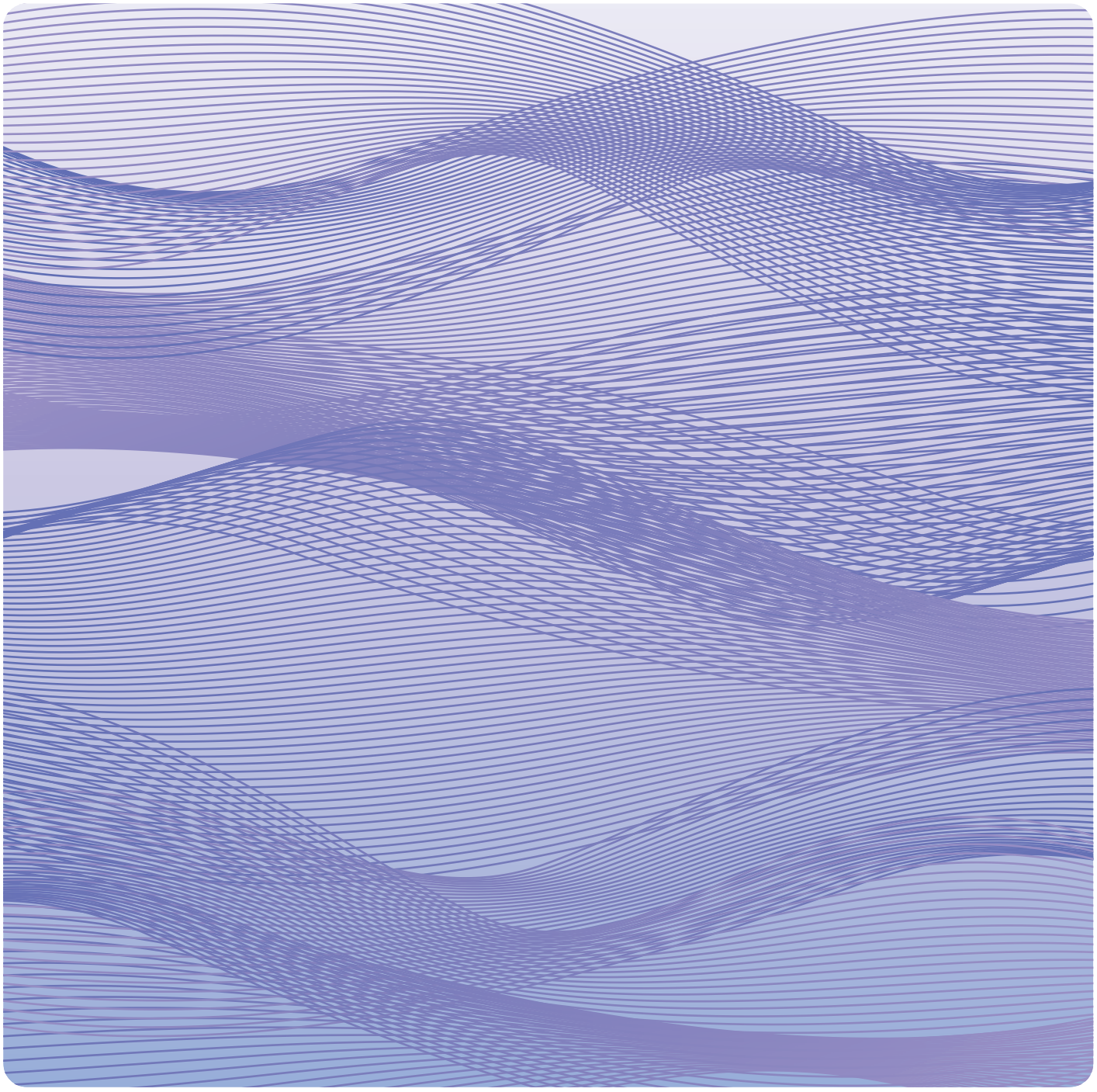
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# Rising tides: Late payments in UK consumer lending

Late payments are on the rise, but some lenders are faring better than others.



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INTRODUCTION

# Same tides, different boats

Every consumer lender in the UK is sailing in the same waters. The pressures on borrower affordability — inflation, the cost of credit — and global economic challenges are well-reported and don't need reciting here, except to say that these tides are common to the whole market.

Indeed, lenders themselves say the rise in late payments is largely down to affordability, macroeconomic conditions and borrowers' financial hardship. But if the economic tides were the whole story then every lender's late payments would be pushed in the same direction.

Our survey shows they're not.

GoCardless and Aryza commissioned Opinion Matters to discover the scale of late payments facing UK consumer lenders.

We found that the average proportion of payments reported as running late by lenders has increased by 24% in 12 months, climbing from 9.3% to 11.5%. However, one segment is experiencing the issue less than others.

The survey also explored how lenders recover late payments, the extent to which they've automated their collections with AI, and their readiness to adopt the latest innovation in payments: Recurring Pay by Bank. Here, too, one segment of lenders stands apart.

The report that follows explores this two-speed market more deeply, before helping readers to take their bearings by benchmarking themselves against their peers. From there, they can chart the best course for their business when it comes to some of the biggest challenges and opportunities facing lenders today.



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NEED TO KNOW

# Key insights from the survey

**9.3%** (2025)

**11.5%** (2026)

**↑24%** increase

The proportion of loan repayments arriving late compared to 12 months ago. However, the picture across the market is not even.

Asked for their three biggest challenges in collections, lenders pointed to staffing and compliance before the number of cases:

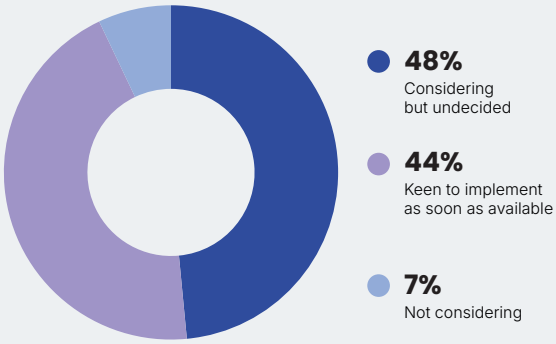
- **42%** Staffing capacity and cost
- **41%** Regulatory compliance
- **39%** Staffing ability and training
- **37%** Tracking and managing complaints
- **33%** Sheer volume of cases

Larger lenders are more likely than the mid-market to report having AI in production in their collections process.

**3 in 5** Turnover: £250m+

**1 in 5** Turnover: £25m-£249.9m

Most lenders are considering or keen to implement Recurring Pay by Bank.




Improved customer experience is the most commonly cited expected benefit of Recurring Pay by Bank.

## Top 5

- **46%** Improved customer experience
- **37%** Better conversion rates
- **36%** Improved cash-flow predictability
- **33%** Faster payments
- **32%** Greater payments visibility

METHODOLOGY

# About the research

Fieldwork was conducted by Opinion Matters between 4 and 10 August 2026, among 250 UK-based adults (21+) working for B2C finance lenders with responsibility for collections, loan performance, arrears management, recoveries, credit risk, portfolio management, lending strategy or underwriting. Opinion Matters follows the MRS code of conduct and ESOMAR principles and is a member of the British Polling Council.

The sample is best described as senior risk and credit leadership: 61% hold C-suite roles, dominated by Chief Risk Officers and Chief Credit Officers. Sub-samples of 50–110 carry margins of error of roughly ±9–14 percentage points, so only substantial gaps are presented as differences, and turnover is not cut within loan type.

Figures on recovery times describe payments that were recovered. Roll rates, forbearance and unrecovered arrears sit outside of the survey scope. The survey compares lender segments, and patterns are reported as associations only. When reporting changes in the last 12 months, respondents are referring to August 2025 - August 2026.

## Glossary:

### Late payment:

A borrower missing one full instalment of a loan by one day or more.

### Larger lenders:

Lenders with annual turnover of £250m+, the largest in our survey sample.

### Mid-market lenders:

Lenders with annual turnover between £25m and £249.9m; a composite of our survey's middle two samples.

### Recurring Pay by Bank

(Also known as commercial Variable Recurring Payments)
An open banking payment method that allows businesses to collect instant, automated and variable recurring bank-to-bank payments from their customers.

FINDINGS: **Section 1**

# Larger lenders are weathering economic challenges differently

The UK's lenders have a growing late payments problem. Overall, the proportion of payments arriving late has risen by nearly a quarter in the last 12 months, from 9.3% to 11.5%. It's notable, however, that the deterioration has not impacted everyone and for the full story we need to look at who these numbers belong to.

Lenders turning over £250m+ report that late payments have essentially stayed flat in the past 12 months, currently sitting at 8.8% compared to 8.7% a year ago. Meanwhile, lenders turning over £25m-£99.9m and £100m-£249.9m report a rise in late payments over the same period, from 9.6% and 9.5% respectively to 12.2% (Figure 1).

The headline average masks what's really happening. The mid-market has swallowed almost all of the deterioration in late payments while the largest lenders have held steady. Or, to put it another way: through the same twelve months and the same economy, the largest lenders' arrears haven't budged.

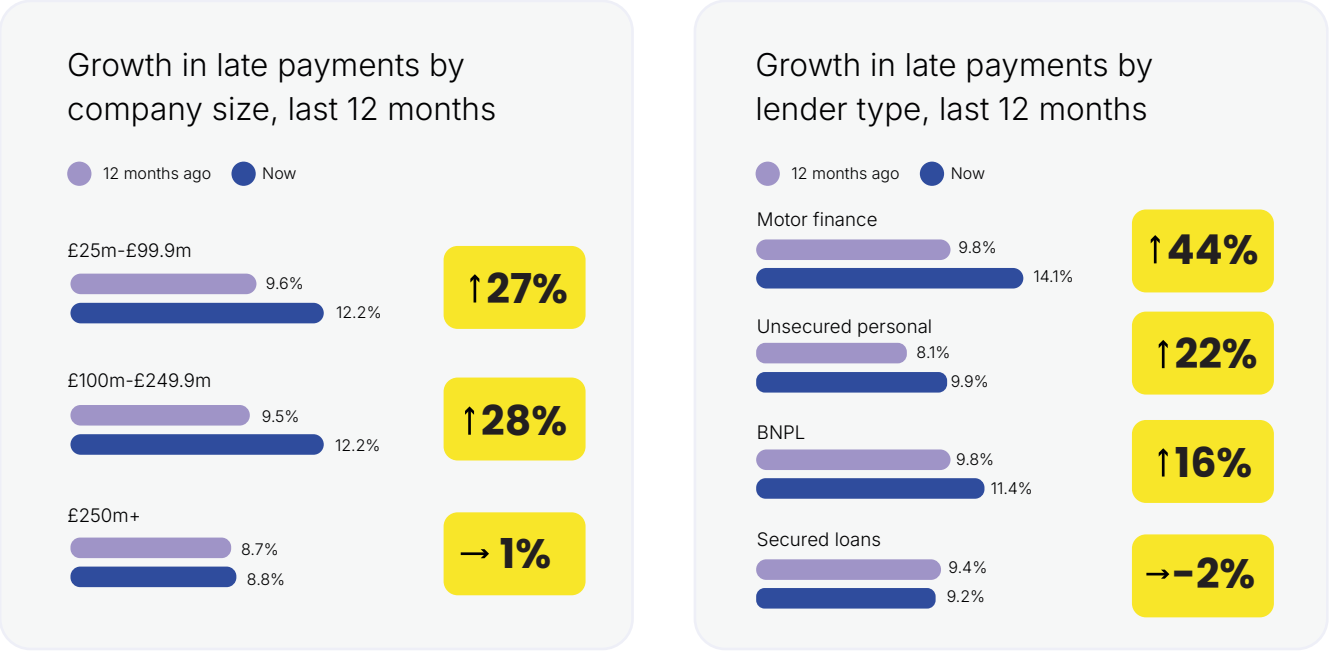



**FIGURE 1.** Growth in late payments by company size, last 12 months

Different types of lenders are also experiencing differing levels of late payments growth. Motor finance has suffered the largest rise from 9.8% to 14.1%, an increase of 44%, though lenders providing "buy now, pay later" (BNPL) financing and unsecured loans have also posted significant increases. Late payments have stayed flat for lenders providing secured loans.

FINDINGS: **Section 1**

# No one is insulated from macroeconomic conditions

We also asked lenders to name the leading causes of late payments in their own loan books. Here, unlike almost everywhere else in the survey, the market speaks with one voice: across all lender sizes, there's notable overlap between the top three reported drivers of late payments (Figure 2). Even though lenders of different sizes are experiencing late payments differently, there's general consensus on the cause of late payments.

**FIGURE 2.**

What, if anything, do you consider the leading causes of late payments to be in your organisation's loan book? (Select up to 3) (Top 3)

| Cause of late payments, currently | All | £25m-£99.9m (n=76) | £100m-£249.9m (n=110) | £250m+ (n=51) |
|---|---|---|---|---|
| Affordability at origination | 36.4% | 31.6% | 41.8% | 35.3% |
| Macroeconomic conditions | 35.6% | 32.9% | 39.1% | 33.3% |
| Borrower financial hardship | 34.4% | 40.8% | 23.6% | 43.1% |
| Administrative / payment failures | 32.4% | 34.2% | 30.9% | 33.3% |
| Wilful non-payment | 29.2% | 28.9% | 29.1% | 27.5% |
| Miscommunication | 28.0% | 28.9% | 30.0% | 29.4% |

£250m+ lenders are most likely to cite borrower hardship as a leading cause of late payments, suggesting that their late-payments advantage doesn't lie in the profile of their borrowers.

## Top 3

Across all lenders, the most commonly cited causes of late payments are:

1. Affordability at origination
2. Macroeconomic conditions
3. Borrower financial hardship

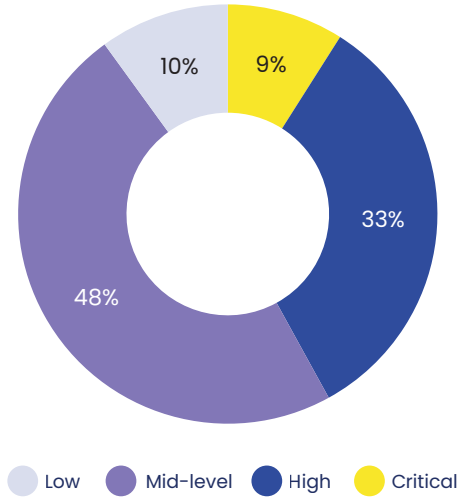
FINDINGS: **Section 1**

# The mid-market is showing the commercial strain of late payments

Overall, concern about worsening late payments from a commercial point of view is not high. Fewer than half of lenders report treating them as high or critical commercial concerns (Figure 3), although lenders whose late payments are worsening are also more likely to be highly concerned.

Where, if anywhere, do late payments rank as an issue of significant commercial concern to your business?

Whole market




High concern, by turnover

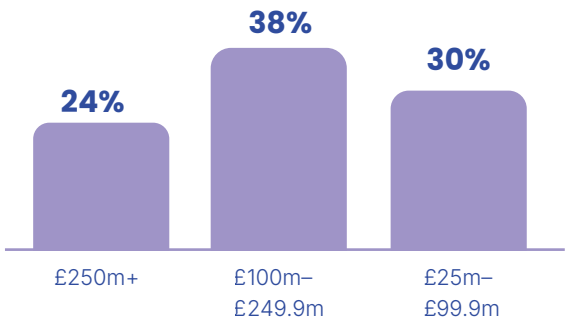



**FIGURE 3.** Lenders with increasing late payments rates are more likely to rate them as a significant commercial concern.

## The takeaway: The divide is the story

Our survey examines the experiences of lenders of different sizes and the characteristics of those lenders. It reveals a growing late payments divide between lenders with turnover of £250m+ and the rest of the market. There is clear overlap in the reported causes, which are dominated by economic conditions outside of lenders' control, yet they are weathering the conditions differently.

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FINDINGS: **Section 2**

# The view below deck: how hard is the recovery engine working?

Recovering late payments takes a reported 8.3 days on average (Figure 4). That's 8.3 days of contact effort, being applied across 11.5% of payments.

This recovery engine is always on, always working, and this continuous effort represents a growing operational overhead for lenders whose late payments are increasing. And these numbers only describe payments that are recovered, so the engine is likely to be working even harder and consuming more resources for all our surveyed cohorts.

**8.3 days is the average time taken to recover late payments**

**FIGURE 4.** On average, approximately how long does it take your organisation to retrieve late payments, if you retrieve them at all?

Split by segment, the largest lenders recover only marginally faster than mid-market (7.9 vs 8.6 days). With fewer late payments to chase, however, they are potentially enjoying a lighter operational burden.

FINDINGS: **Section 2**

# One engine, eight communications channels

There are eight communications channels in play for lenders when it comes to recovering late payments, each with varying levels of reported effectiveness (Figure 5). Step two asked lenders to name just one, so it shows which channel closes rather than which ones contribute. Phone leads, named by 54% of the lenders who use it, with email and WhatsApp next at 28%.

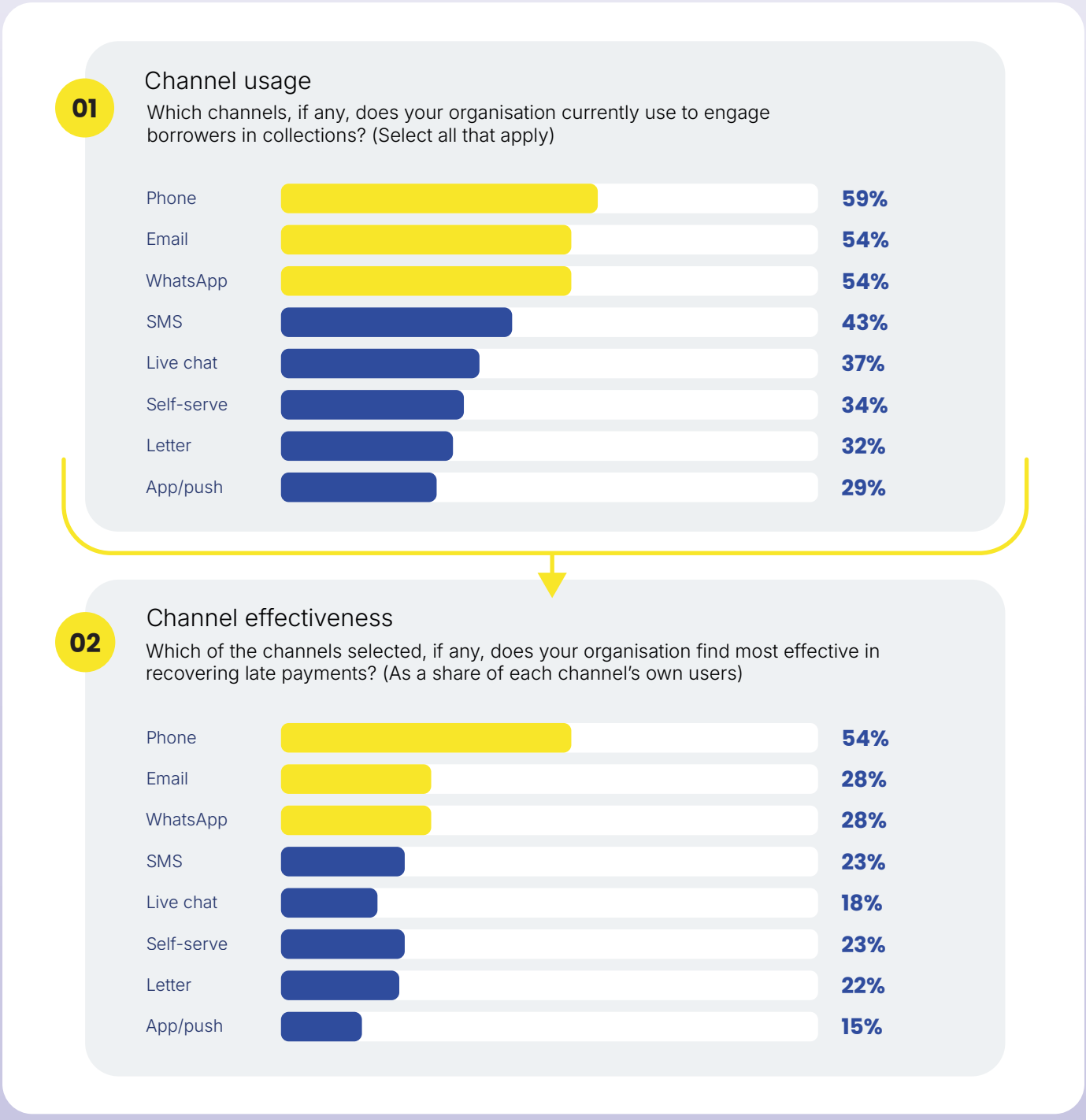



**FIGURE 5.** Phone is both the most widely used channel and the one most often named most effective by the lenders who use it. *The survey asked about phone as a channel and did not distinguish between contact delivered by an agent and contact delivered by automated systems.*

FINDINGS: **Section 2**

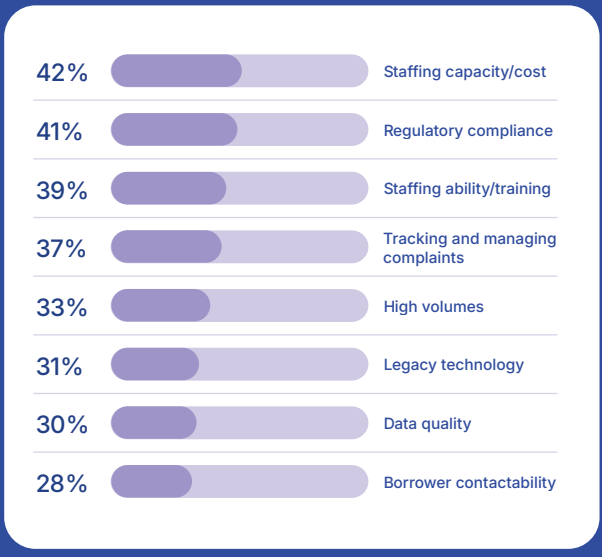
# Compliance and capacity trump volume as collection challenges

If channel mix describes how lenders reach borrowers, the next question is what gets in the way? Asked to name their biggest challenges in collections, lenders point to people and compliance before volume.

Staffing capacity and cost (42%) and regulatory compliance (41%) are the two most-cited challenges in collections, with staffing ability and training (39%) and complaints tracking (37%) close behind. High volumes ranks fifth, cited by a third of lenders.

The mix shifts with lender size. Legacy technology appears in the top three for 37% of £100m–£249.9m lenders and 32% of those turning over £25m–£99.9m, but only 20% of £250m+ lenders. Complaints tracking moves the opposite way, rising from 30% among £25m–£99.9m lenders to 45% among those turning over £250m or more.

**FIGURE 6.** What, if anything, are your organisation's biggest challenges in collections? (Select up to 3)




# The takeaway: The engine is working harder for some than others

There's little difference in recovery times by lender size but larger lenders' recovery engines have fewer late payments to chase than those of the mid-market lenders.

When it comes to communications channels for recovering late payments, the gap between deployment levels of digital and self-serve channels and how often they're named as the channel that closes, is about which channel finishes the job rather than whether the others work. This points to an optimisation opportunity across the board.

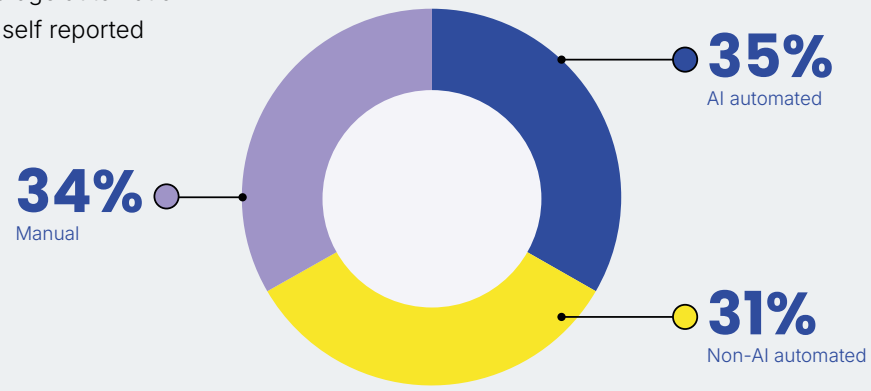
Finally, sheer volume is only cited by a third of lenders as a top three challenge when it comes to collections overall (not just late payments), below staffing capacity, compliance, training and complaints tracking. As such, lenders' collections constraints are best characterised as being around capacity and controls rather than the number of cases.

FINDINGS: Section 3

# Charting a new course: AI, automation and Recurring Pay by Bank

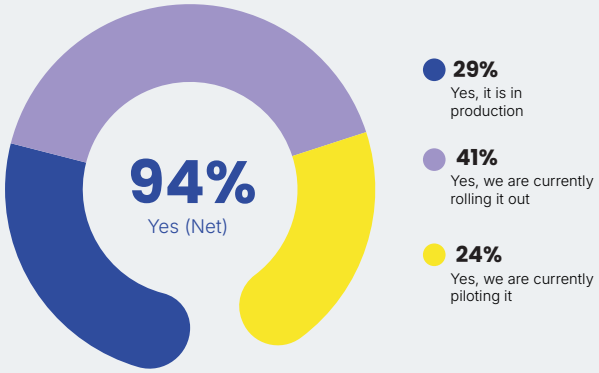
Lenders describe their collections process as a roughly equal split of manual, non-AI automated and AI-automated work (Figure 7), and this is consistent across our three turnover bands.

**FIGURE 7.** The average automation mix in collections, self reported




Overall, more than nine in ten (94%) lenders report that AI is used somewhere in their collections process, but there's a caveat: only 29% report having AI in production, meaning an AI solution that is fully deployed and embedded into business processes (Figure 8). AI adoption appears to be broad but shallow, and the gap between the 94% who say they use AI in collections and the 29% who actually have it in production is the true state of the market's AI maturity (Figure 9).

**FIGURE 8.** Is your organisation currently using AI anywhere in its collections process?



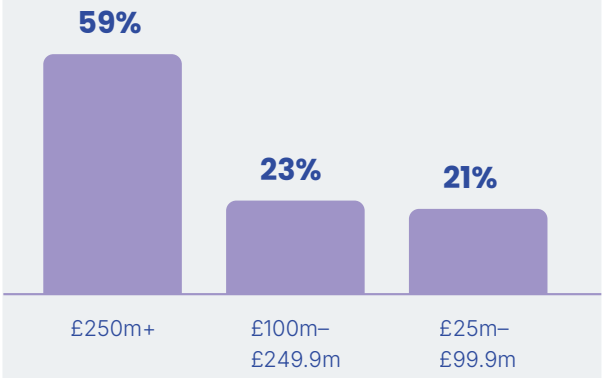
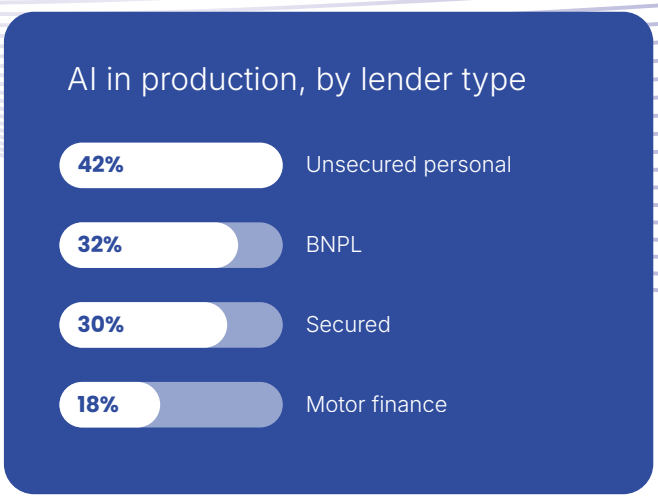




**FIGURE 9.** AI in production, by turnover




The AI-in-production picture flips dramatically when we split the data by lender size. Larger lenders are the group more likely to have finished this transformation in collections, with 59% saying their processes feature fully deployed AI. The mid-market stands at 21–23%.

This is perhaps partly why the £250m+ lenders cite legacy technology as a challenge in collections far less often than the mid-market: 20% against 37% for £100m–£249.9m lenders and 32% for £25m-£99.9m.

## More automated collections, more adventurous on payments

UK lenders overall are anything but conservative when it comes to adopting the latest payment methods: open banking is almost as popular as cards for collecting repayments. The typical lender is running four or five parallel payment methods and no single payment method can claim to be the default for loan repayments (Figure 10).

Lenders also appear to accumulate payment methods without retiring any. Cheque is still in play for 41% overall and most common among the largest lenders, illustrating how even the most AI-mature cohort still has to contend with legacy processes.

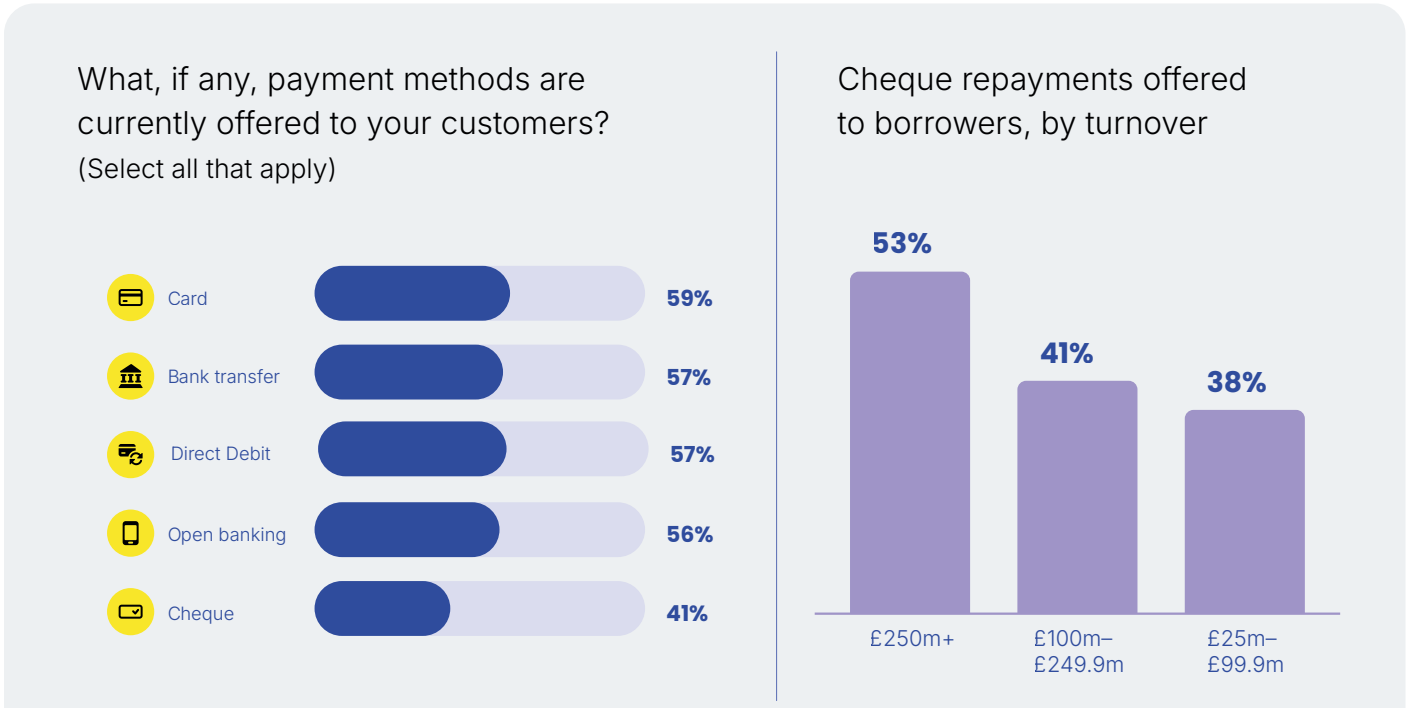



**FIGURE 10.** The typical lender is running four or five payment methods in parallel. Even cheque is still common.

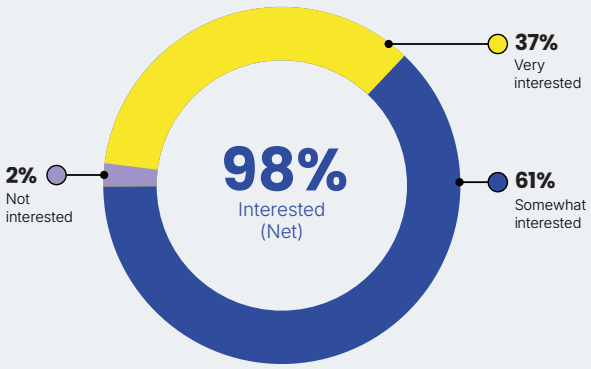
FINDINGS: **Section 3**

# Fragmentation is universal. Appetite for innovation is not.

The latest innovation in open banking payments is Recurring Pay by Bank. This lender-initiated payment method allows lenders to collect instant, recurring payments directly from borrowers' bank accounts, with their permission and up to agreed limits.

The market overall is warm for lender-initiated payments as a concept: 37% very interested, 61% somewhat interested (Figure 11). However, enthusiasm for Recurring Pay by Bank rises steeply with lenders' size, and peaks in a familiar place. Here we see the £250m+ cohort's appetite for innovation extending beyond AI in collections and into the payment method itself.

'Very interested' in lender initiated payments, by turnover.



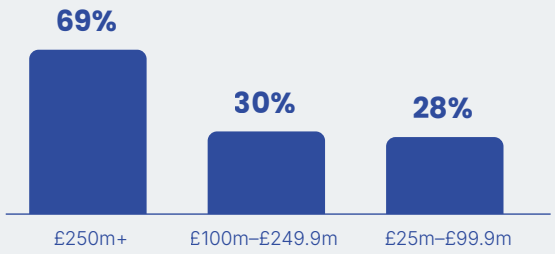




**FIGURE 11.** How interested, if at all, would your organisation be in adding a payment option where you, rather than the borrower, request each repayment directly from their bank account, on a recurring basis (Recurring Pay by Bank)?

Market average

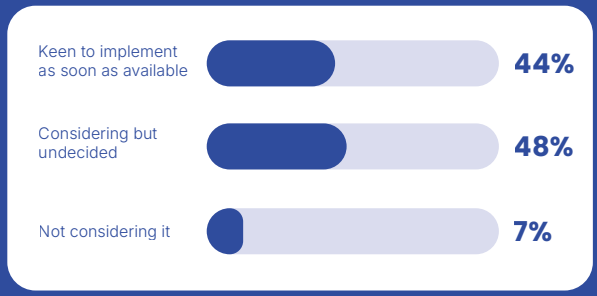



**FIGURE 12.** Is your organisation considering offering Recurring Pay by Bank (also known as commercial Variable Recurring Payments) to customers, when it is available to you?

Keen to implement Recurring Pay by Bank as soon as it's available, by turnover

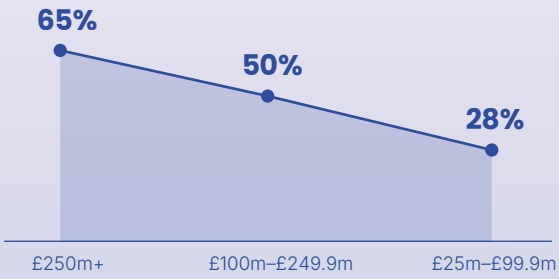



**FIGURE 13.** Larger lenders are the most keen to implement Recurring Pay by Bank as soon as possible.

Lenders are overwhelmingly customer-centric in their outlook on the benefits of Recurring Pay by Bank (Figure 14). Almost half (46%) are anticipating an improved customer experience, while better conversion (37%), cash flow predictability (36%), faster payments (33%) and visibility (32%) are all clustered close behind.

What, if anything, are the biggest benefits to your organisation implementing Recurring Pay by Bank? (Select up to 3)

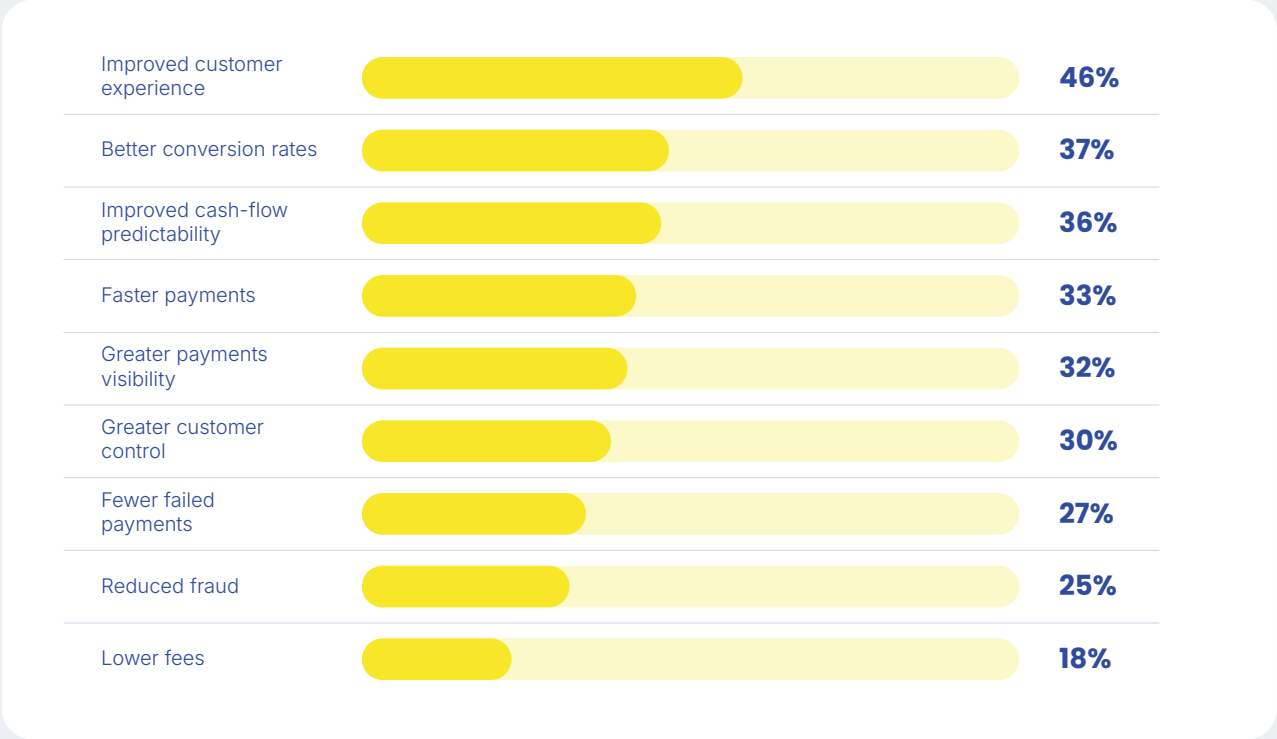



**FIGURE 14.** The typical lender is running four or five payment methods in parallel. Even cheque is still common.

## The takeaway: Finished automating, not finished innovating

The lenders who are more likely to have finished transforming collections with AI, as measured by whether they have AI in production, are also more likely to have turned their attention to optimising the payment collection method itself.

However, competition in consumer lending cuts at least two ways: across the entire market and within segments. So lenders of all sizes should use these averages for automation in collections, level of AI use and interest in Recurring Pay by Bank to benchmark themselves on both levels, and course correct if they see fit.

CONCLUSIONS & RECOMMENDATIONS

# The same currents are pulling on every boat. But the boats are not faring the same

Late payments in consumer lending are on the rise, but unevenly.

On one side of the late payments divide, we have larger lenders with a flat rate of late payments. On the other, we have mid-market lenders who are facing a greater challenge.

The survey surfaces additional divergences between these two groups.

Larger lenders are more likely to have moved AI in collections through to production. They are also the only group whose late payments held steady over the last twelve months, while the mid-market rose by around a quarter. They're also first in line to further improve their collections by adopting Recurring Pay by Bank.

Mid-market lenders are more likely to be early- to mid-AI rollout. Their recovery engine is working the hardest, they're warm on adopting Recurring Pay by Bank and less sure on when they'll make their move.

Knowing which side of the late payments divide you're on will help to set a baseline for your collections improvement targets. In parallel, understanding how you compare to your peers on collections automation and payment innovation are also valuable inputs for strategic decision making.



## CONCLUSIONS & RECOMMENDATIONS

Using this checklist, you can see how you measure up against the rest of the market on each of these characteristics that, together, represent several of the biggest challenges and opportunities facing lenders today.

### Four prompts for benchmarking yourself against the market:

01. **Has your late payments rate grown by more or less than 24% in the past year?**

The market average grew by 24%, from 9.3% to 11.5%. Lenders turning over £250m+ grew by just 1% compared to growth of 27% and 28% respectively for those turning over £25m–£99.9m and £100m–£249.9m.

02. **Is your biggest collections constraint the high volume of cases, or the capacity and controls around each one?**

Across the market, high volumes ranks only fifth (33%), behind staffing capacity and cost (42%), regulatory compliance (41%), staffing ability and training (39%) and complaints tracking (37%).

03. **Would you define your AI in collections as being at the pilot, rollout or production stage?**

The market-level averages are 24% piloting, 41% rolling out and 29% in production.

04. **Is changing how you collect repayments with Recurring Pay by Bank on your roadmap, on your watchlist or not a conversation you've had yet?**

44% of lenders are keen to implement Recurring Pay by Bank as soon as it's available, while 48% are considering but undecided and 7% are not currently considering it.

With these benchmarks, you can understand if and where there's a divergence between yourself and the rest of the market or your segment, which in turn can guide your efforts to realign or, ideally, outperform. Because economic tides will continue to ebb and flow, but your boat can be enhanced, upgraded or rebuilt.

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ABOUT ARYZA AND GOCARDLESS

# Streamline cash flow management and reduce late payments with Aryza and GoCardless

Aryza and GoCardless bring together lending and collections technology with bank payments technology to help lenders and collections teams collect payments straight from customers' bank accounts as soon as they're due, requiring only a one-time approval.

## About Aryza

Aryza is a global provider of end-to-end AI-enabled credit and debt lifecycle management solutions, specialising in innovative tools that streamline complex processes for financial services.

Aryza's solutions combine AI-enabled tools with integrated data sources to help businesses operate more efficiently and make better decisions in areas such as Lending, Collections, Recoveries, Debt Sale and Governance, Risk & Compliance (GRC), including conversational AI capabilities that automate customer engagement, reduce cost-to-serve and support more personalised, compliant interactions.

With a focus on delivering value through technology, Aryza empowers organisations to improve efficiency, compliance and customer outcomes.

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GoCardless

## About GoCardless

GoCardless, a Mollie company, is a global leader in bank payments. Over 100,000 businesses, from start-ups to household names, use GoCardless to collect, manage and send bank payments through Direct Debit, real-time payments and open banking.

With US$130bn+ processed annually across 30+ countries, we handle recurring and one-off payments without the chasing, stress, or expensive fees.

APPENDIX

# Sample sizes & reportable bases

| | |
|---|---|
| Loan / Lender type | Motor finance (HP, PCP, Leasing) n=79; retail / point-of-sale finance (BNPL) n=66; personal loans, unsecured n=55; secured loans n=50. (“Which of the following best describes the primary type of consumer lending your organisation mainly provides?”) |
| Turnover | £100m–£249.9m n=110; £25m–£99.9m n=76; £250m or more n=51. |

Note: Responses from lenders with turnover of less than £25m have not been reported as a standalone segment due to the small sample size (n=12), but are included in whole-market figures.



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# Get in touch

To speak with a representative from Aryza or GoCardless, reach out via the details below.


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