R3 Quarterly Business Health Report – Q1 2026

Impact of late payments on company cashflows

The Quarterly Business Health report from R3, the UK's trade body for restructuring, turnaround, and insolvency professionals, examines the financial pressures facing UK businesses in the first quarter of 2026. Supported by data from Creditsafe, this quarter's analysis focuses on the impact of late payments on company cashflows and the implications for insolvency-related activity across regions and sectors.

R3 Q1 Business Health report, based on Creditsafe data. Published April 2026
Contact: **dawn.boyall@r3.org.uk**

Q1 2026 in summary

17.48 million	7,212	West Midlands
Overdue invoices in Q1 (3% up on Q1 2025)	Insolvency activities in Q1 (6% down on Q1 2025)	Region with highest number of overdue invoices

In the first quarter of 2026, late payment pressures intensified for UK businesses. The number of overdue invoices rose to 17.48 million (up 3% on Q1 2025) and the number of businesses with overdue invoices on their books increased to 1.57 million (up 1% on Q1 2025). This highlights that pressures on businesses are building with overdue invoices putting pressure on cashflows at a time of economic uncertainty and rising costs.

Over the same period, there were 7,212 insolvency-related activities which were 6% down on Q1 2025 (7,706) but 9% up on the previous quarter (6,610).

Construction
1,159 insolvencies

Wholesale and retail
975 insolvencies

Accommodation and food services
923 insolvencies

Where is distress focussed?

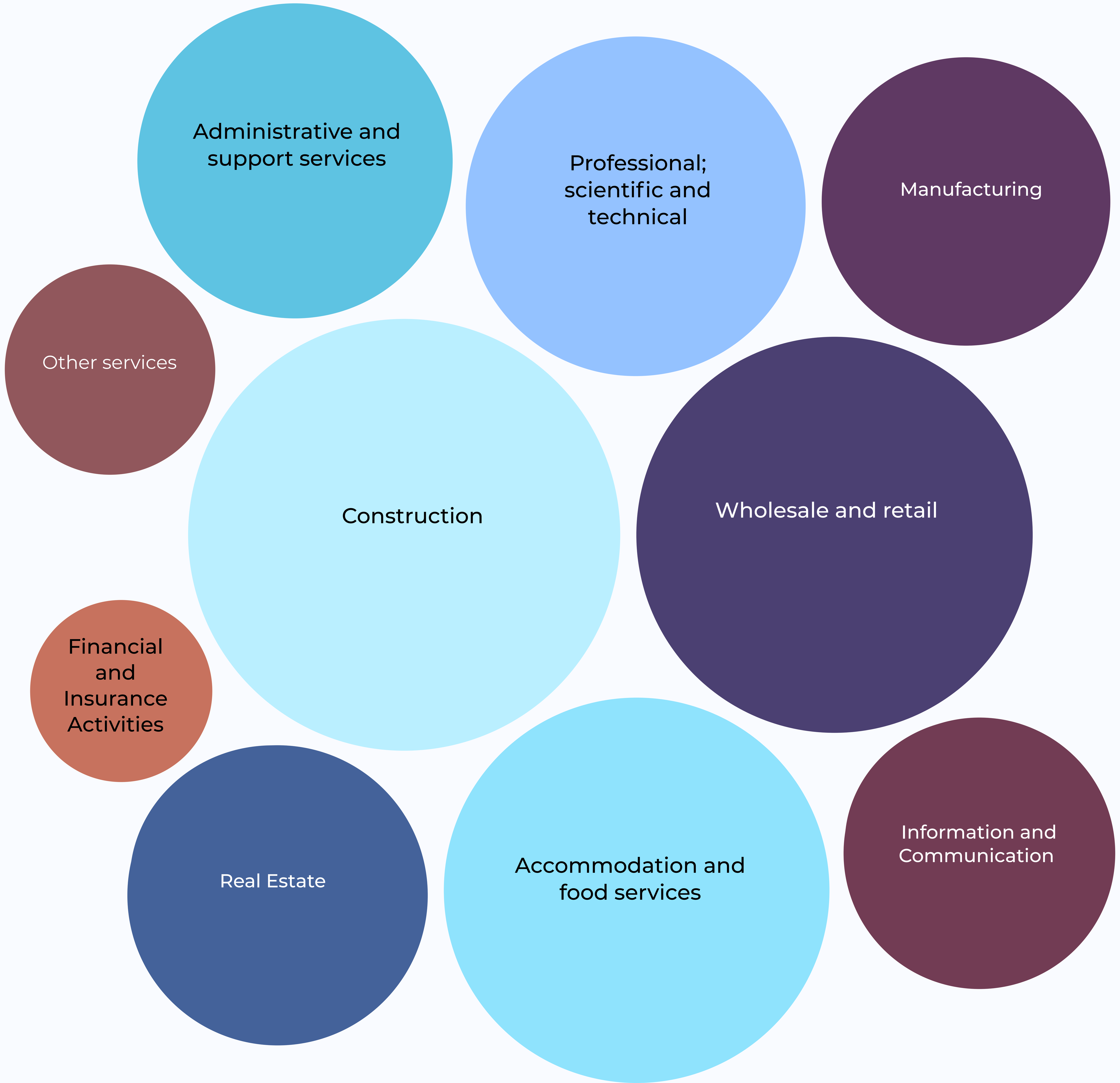
- **Insolvency-related activity** fell compared to Q1 2025 but rose compared to Q4, with R3 members reporting that they expect demand for their services to increase especially for companies with limited financial headroom.

- **Construction** remains the most distressed sector this quarter with 1,159 insolvency activities followed by **wholesale and retail** (975) and **accommodation and food services** (923). All three sectors recorded year on year falls in insolvency-related activity compared with Q1 2025 (down 10%, 9% and 1% respectively) but they continue to account for a large share of cases.

- **Professional, scientific and technical services** and **administrative and support services** also continue to see significant distress, with 717 and 617 cases respectively, although cases declined year-on-year.

- **Real estate** saw a surge in cases rising to 560 (up 58% on Q1 2025) with the Insolvency Service statistics for March highlighting a cluster of 100 connected companies entering administration, which is likely to have contributed to this increase.

Top 10 sectors in distress



Based on insolvency-related activity, which includes administration and voluntary and compulsory liquidations.

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Regional trends

Late payment exposure increased across the UK in Q1 2026, with 17.48 million overdue invoices recorded in total. The West Midlands saw the highest number of overdue invoices (3.05m), followed by Greater London (2.91m) and Scotland (2m). In percentage terms, the sharpest rises in overdue invoices were in the West Midlands (up 17% on Q1 2025), Scotland (up 9%) and the North East (up 5%), indicating growing pressure on cashflow for businesses in those areas.

Insolvency-related activity totalled 7,212 cases in Q1 2026 (down 6% on Q1 2025). Greater London recorded the highest number of cases (1,558), followed by the North West (1,226) and the West Midlands (764). Most regions saw year-on-year declines, with the largest falls in the South West (down 19%), Wales (down 14%) and the South East (down 10%). Northern Ireland was the only region to record an increase (up 8%), albeit from a low base.

Q1 2026 vs 2025 regional comparison

Insolvency related activity

8.2%	▲	Northern Ireland
-0.6	▼	Scotland
-0.8	▼	North West
-2.8	▼	North East
-3.9	▼	Greater London
-4.8	▼	East Midlands
-6.4	▼	West Midlands
-8.5	▼	East Anglia
-9.8	▼	Yorkshire and Humberside
-10.3	▼	South East
-13.8	▼	Wales
-18.8	▼	South West

Number of late payments

16.9	▲	West Midlands
9.1	▲	Scotland
4.6	▲	North East
3.2	▲	South East
3.0	▲	East Midlands
2.8	▲	Wales
1.5	▲	Greater London
-2.0	▼	Yorkshire and Humberside
-3.3	▼	East Anglia
-4.0	▼	North West
-5.7	▼	South West
-10.8	▼	Northern Ireland

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Analysis by R3 President

‘R3’s latest Business Health report reveals an early warning sign for UK businesses with late payment pressures rising. Late payments are a significant cause of company insolvencies and mounting arrears can quickly turn day-to-day cashflow issues into a wider crisis.

While insolvency-related activity decreased over the quarter, compared to the same period in 2025, the underlying picture remains fragile. With the increasing burden on businesses of rising energy and fuel costs, our members anticipate growing demand for their services in the year ahead. Businesses should prioritise credit control and seek professional advice early if they are struggling, before late payments and arrears become unmanageable.’

Tom Russell
R3 President,
Director,
James Cowper Kreston

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