



# The £2.8bn business problem

Banks and politicians are always first in line to praise the innovation and ingenuity of the UK's 5.5 million<sup>1</sup> small businesses. Together, they account for 16.7 million jobs and around £2.4 trillion in turnover every year. But in 2024 they're struggling more than ever. This year yet more small businesses will fight to stay afloat as they battle the rising tides of inflation, interest rates and falling consumer demand. And even when they attempt to boost growth by accessing new markets overseas, they're losing out.

In fact, UK SMBs lost nearly £3 billion (£2.8 billion)<sup>2</sup> last year to hidden fees on international payments, which are often concealed in inflated 'exchange rates' that are presented to SMBs as the real, live mid-market exchange rate by banks. The same research reveals that the total amount lost by consumers and SMBs to hidden banking fees in 2023 was over £4.4 billion.

This is unfair treatment for everyone. But for SMBs, it is exacerbated by the fact that they are being let down by loopholes in existing payments regulations that are costing them billions. At Wise, we believe that small businesses deserve better.

That's why we're calling for these loopholes to be closed. Two small things will make all the difference.

1. First, we need the transparency regulations to work. They need stronger language, so hidden markups in the exchange rate need to be communicated to customers. Unfortunately, today the rules are patchy and badly enforced, enabling banks and other providers to continue hiding fees thanks to vague language in both law and regulations.
2. Second, we need to put an end to the 'corporate Opt Out' which means that banks don't have to apply existing payments transparency regulation to SMBs. In other words, the token protection for consumers when it comes to clear, transparent pricing on payments does not even apply to SMBs thanks to the Opt Out, meaning banks continue to rip them off with hidden fees and markups with complete impunity. And when time-strapped businesses aren't able to see what international payments are costing them, there is little incentive for banks to compete on price, which keeps the cost of doing business abroad high.

This is not a new problem — our latest research with Capital Economics shows that in the last five years, the amount UK SMBs have lost to hidden fees has risen 27% from £2.2 billion in 2018 to £2.8 billion in 2023 - that's an increase of £600 million. And, as this report shows, while many businesses want to realise their dreams of expanding internationally, it's become a vicious cycle. A survey of 3,000 small businesses conducted by Wise and Censuswide found that 33% of UK businesses want to enter new markets, but more than a quarter (26%) are being put off by the high cost of international banking services.

This is having a knock on effect on the wider economy. When asked what they would do if the cost of international banking were to come down, over a quarter (27%)<sup>3</sup> would hire more staff, and over a fifth (21%) would pass the savings onto their customers by reducing the price of goods and services. A quarter (26%) said they would be able to pay their staff more. This issue is hampering growth, costing jobs and increasing prices at a time when businesses and consumers need all the help they can get.

## “UK SMBs lost £2.8bn to hidden fees in 2023.”

This report explores how the issue of hidden fees is affecting the UK's SMBs, and demonstrates the urgent need for policymakers and regulators to End the Opt Out, (pages 11 & 12) and for regulation to be further tightened to ban hidden fees for businesses and consumers alike. These changes, which won't cost the taxpayer a penny, will make the sector far more competitive, allow SMBs to easily compare the market and unlock growth for business owners across the UK.

<sup>1</sup> Figures for 2023 from small business statistics by the Federation for Small Business (FSB)

<sup>2</sup> Research commissioned by Wise and independently conducted by Capital Economics in January 2024

<sup>3</sup> A Censuswide survey for Wise of 3,000 UK SMB owners from across the UK in November 2023.

<sup>3</sup> See methodology p.14.

# UK SMBs lost nearly £3bn to hidden fees in 2023



## The Rest is Money Goalhanger Podcasts

To enable you to add your voice to the End the Opt Out campaign we've launched an online petition at [wise.com/endtheoptout](https://wise.com/endtheoptout). We've also partnered with the Rest is Money podcast to produce a special episode exploring the forces hampering economic growth, including the challenges SMBs face when expanding internationally. Steph McGovern, broadcaster and host of The Rest is Money, and a small business owner herself, is backing our campaign for legislative change to help SMBs.

Steph said: "As a small business owner myself, I know that operating in the current climate is tough. The fact that businesses are being ripped off when it comes to international payments is not only bad for them — but it's bad for consumers and the economy. That money could cut prices, create jobs, be kept safe for rainy days or deliver investment.

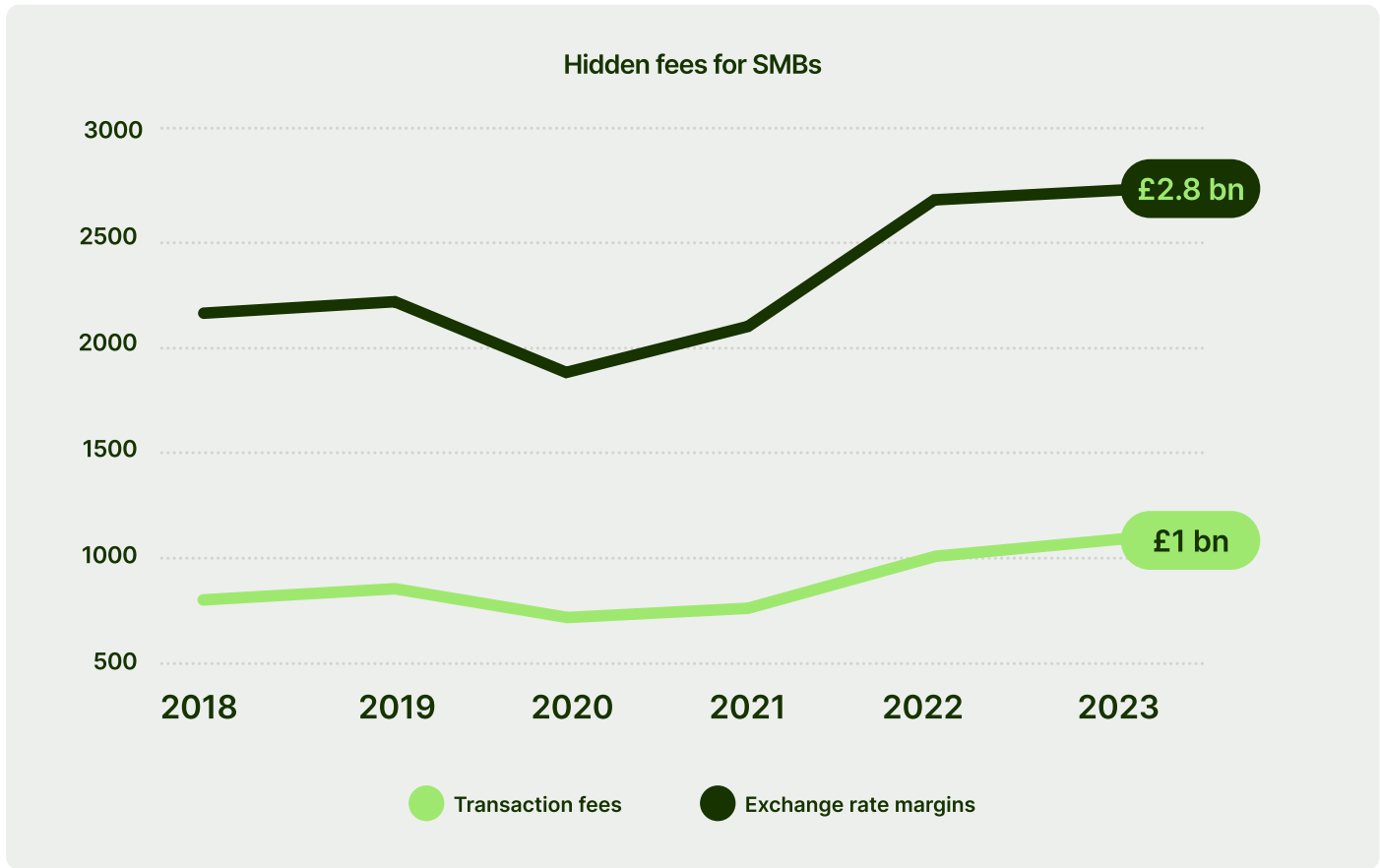
"My business operates across various cities in the UK so I know that this is a problem for businesses up and down the country," she added: "There are so many things that can be done to aid SMB growth. Ending the opt out, and improving legislation to ban hidden fees, is a simple, cost-free way of helping the country's small businesses."

Sign the petition today at: [wise.com/endtheoptout](https://wise.com/endtheoptout)

# Contents



Introduction	2
Tune in and sign the petition	3
Table of Contents	4
The cost of hidden fees	5
International aspirations	6
Where next?	7
What's stopping SMBs?	8
Counting the cost of complexity	9
Freedom from Hidden Fees	10
Ending the Opt Out	11
What needs to change?	12
Meet Wise Business	13
Methodology	14



## The cost of hidden fees

SMBs are routinely described as valued customers by UK banks - perhaps because, with account charges, subscriptions and transaction fees on large volumes, they are also often their most valuable customers. This relationship is working nicely for banks, but not so well for SMBs.

The issue is particularly acute when it comes to businesses that need to send, receive and spend money in other countries and other currencies. Whether they are paying suppliers in San Francisco or team members in India, SMBs often need to transact across borders. But as the chart above shows, this can come with hefty — and often hidden — costs.

Banks often advertise the ability to send international payments at low cost or even for 'free'. But this is only half the story. In addition to the transaction fees displayed upfront, banks often take their cut on these payments by artificially marking up the 'exchange rate'. This exchange rate is often substantially higher than the mid-market exchange rate — the one you see on Google, Bloomberg or other aggregators and which Wise uses to price international payments.

The chart above shows the extent to which SMBs are being ripped off. The amount lost to exchange rate margins was £2.8 billion in 2023, up from £2.2 billion in 2018 — an increase of 27% or £600 million over a five year period.

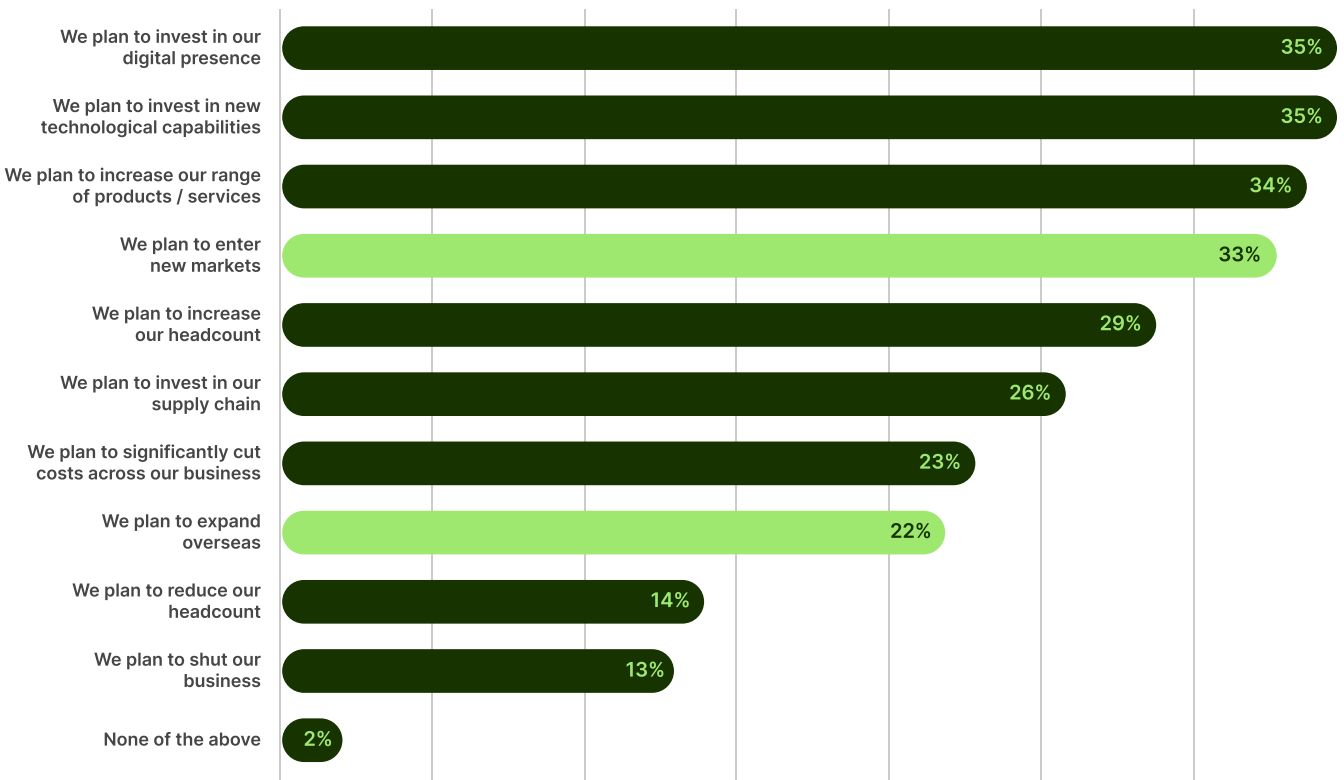
## International aspirations

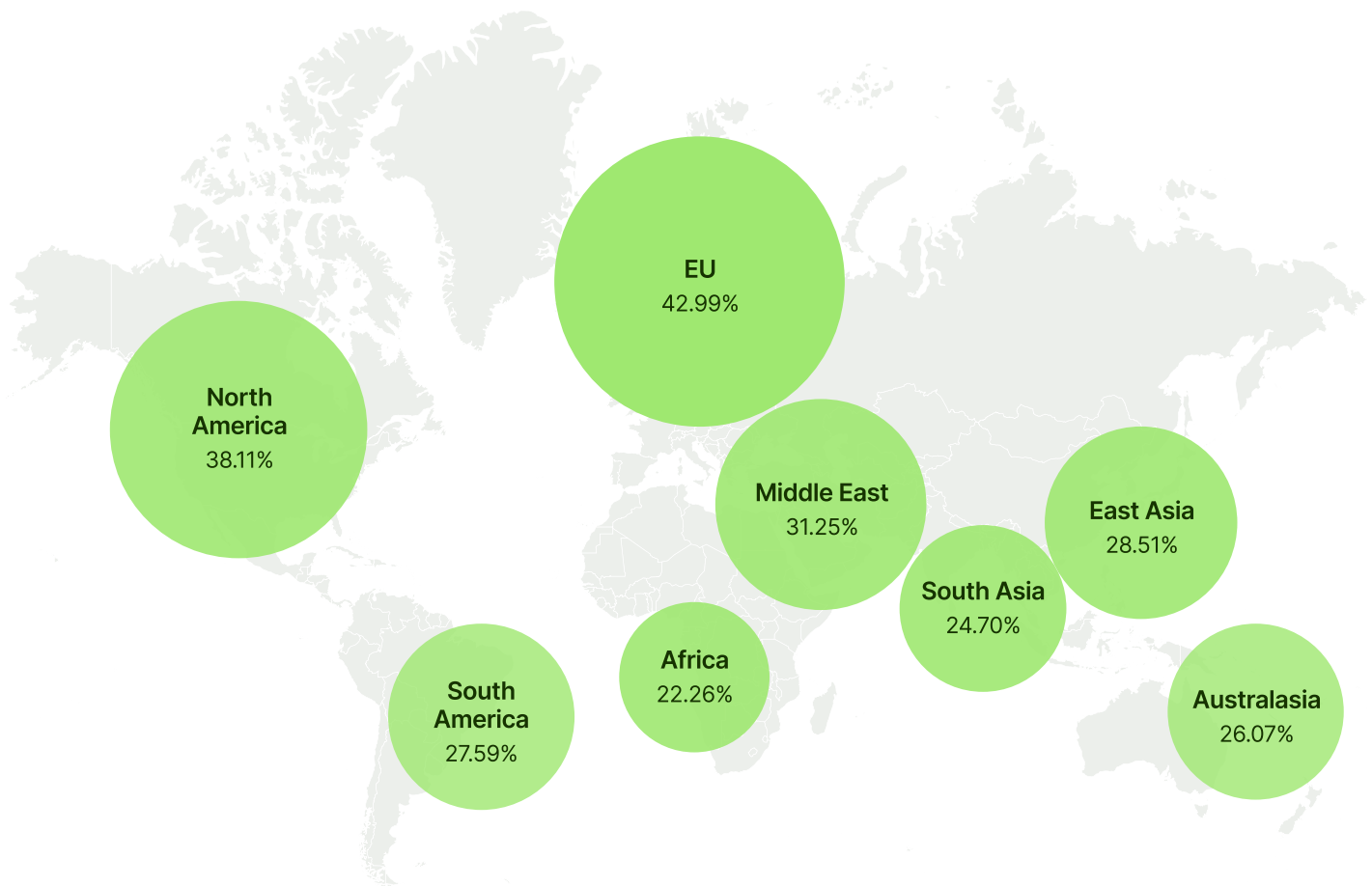
Despite the difficult trading conditions and headwinds affecting the global economy, the UK's small businesses remain resilient. The majority of businesses we surveyed are planning to invest in growing their business in the coming year, with a third (33%) planning to enter new markets with their products and services, and 22% looking to expand their operations overseas to tap into demand in other regions. Other core areas for investment include new technology, hiring strategy and scaling up the range of products and services on offer.

However, due to rising costs and falling customer demand, not all businesses are gearing up for growth - nearly a quarter (23%) are looking to scale back on expenses across the business, and 14% are making the difficult decision to cut headcount in order to make ends meet. In keeping with the uncertainty across the global economy, 13% of the small businesses surveyed said they are planning to shutter their business altogether.

The results demonstrate the ambition driving SMBs to explore new opportunities selling overseas, with a combined 55% looking to new markets to boost growth. Policymakers could offer these businesses the support and resources they need by making a simple change to remove the 'corporate Opt Out' in existing payments regulation and make it much easier for businesses to see how much they're really being charged for sending money across borders, allowing them to make an informed choice on which provider is most competitive, and saving them collective billions in the process.

Which of the following are in your business plans over the next 12 months?  
(Select all that apply)





If you selected expand overseas, which markets are you planning to enter? (Select all that apply)

## Where next?

With their outsized impact on the economy, SMBs are at the heart of the UK government's strategy to boost international trade flows. The survey shows that SMBs are also looking overseas to drive their own growth agendas, with 43% targeting new customers in the EU following Brexit, 38% looking to expand into the US and 30% looking to explore customer demand in the Middle East.

**“To make this leap and expand internationally, SMB owners need the right support from their financial services provider.”**

But in order to make this leap and expand their business internationally, many SMB owners need the right support from their financial services provider. They need to be able to send and receive money from customers and investors along with sending money to suppliers and team members around the world. Often, help is lacking, and worse, high transaction and account fees as well as the need to travel to a physical branch to open an account overseas can become a real deterrent to international expansion for small businesses.

At Wise, we offer businesses low-cost, transparent fees at the mid-market rate, as well as the option to get paid with local account details in 9+ currencies including GBP, EUR and USD with no monthly subscription fees.

## What's stopping SMBs?

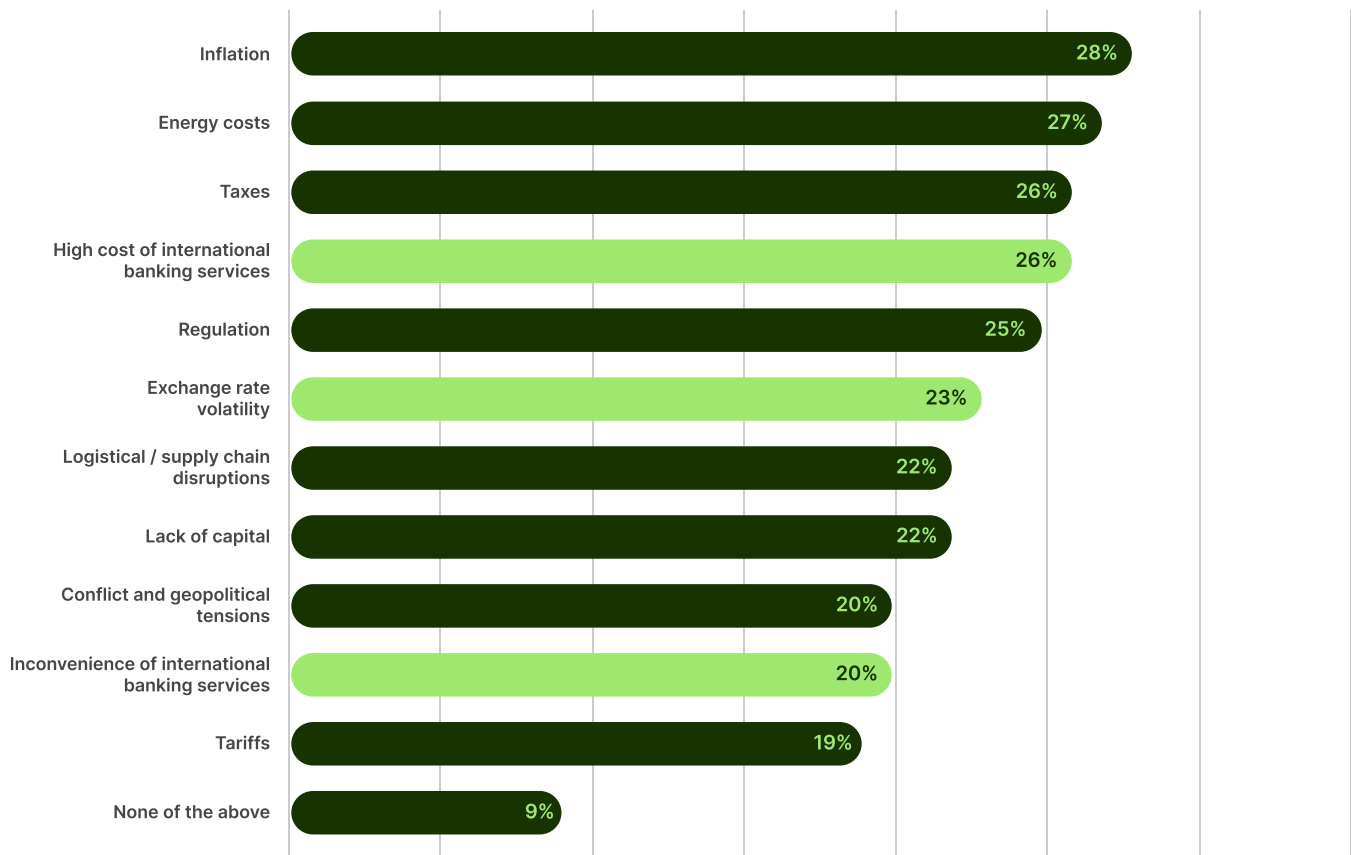
In 2024, SMBs face a raft of challenges domestically and when it comes to international expansion. The rising costs of energy and borrowing coupled with stubbornly high inflation is having a knock-on effect on businesses' ability to take the leap into international markets as they battle to control operating costs.

However, while banks may routinely levy hidden fees on international payments, it would appear that SMBs are well aware of the issue — with more than a quarter (26%) citing the high cost of international banking services as a key factor preventing them from expanding their businesses internationally. The cost issue is compounded by the inconvenience of international business banking services, with 20% underlining the hassle involved in dealing with banking providers as a reason to curtail their international ambitions.

The results of this survey alone paint a bleak picture for policymakers — the lack of adequate protection for SMBs when it comes to low-cost, easy to use international banking services is holding ambitious SMBs back from pursuing growth overseas and hampering growth. It's a problem that should be ringing alarm bells, and which is easily helped by changes such as Ending the Opt Out — giving SMBs better protection and more transparency in payments regulations and making it a necessity for banks to give them a fairer deal.

**“The cost issue is compounded by the inconvenience of international business banking services”**

Have any of the following ever put you off operating internationally?  
(Select all that apply)





# Counting the cost of complexity

When it comes to holding SMBs back, it's clear that the cost and difficulty of international payments services is a key blocker to success. Nearly 70% of businesses are so put off by the complicated nature of sending and receiving payments overseas that they feel unable to expand their operations further.

The issue is also creating knock-on effects for consumers who are already struggling with the cost of living crisis, with a significant majority (58%) of business owners passing the rising cost of international banking services directly onto their customers. And the outcome is also taking its toll on business investment (56%) and salaries (48%), both of which are drivers of growth in the wider economy.

Urgent action is therefore needed to free up time and money for SMBs by making international payments services easier and more affordable, so that they can get on with their plans for expanding overseas and passing on the fruits of their success to their customers and employees.

The complexity of international payments services prevents me from expanding further



I have to increase the price of my goods/services due to the high cost of international banking services



The high cost of international banking services reduces the amount I can invest in my business



The high cost of international banking services reduces the amount I can pay staff



● Agree ● Disagree ● Neither agree nor disagree

## Freedom from Hidden Fees

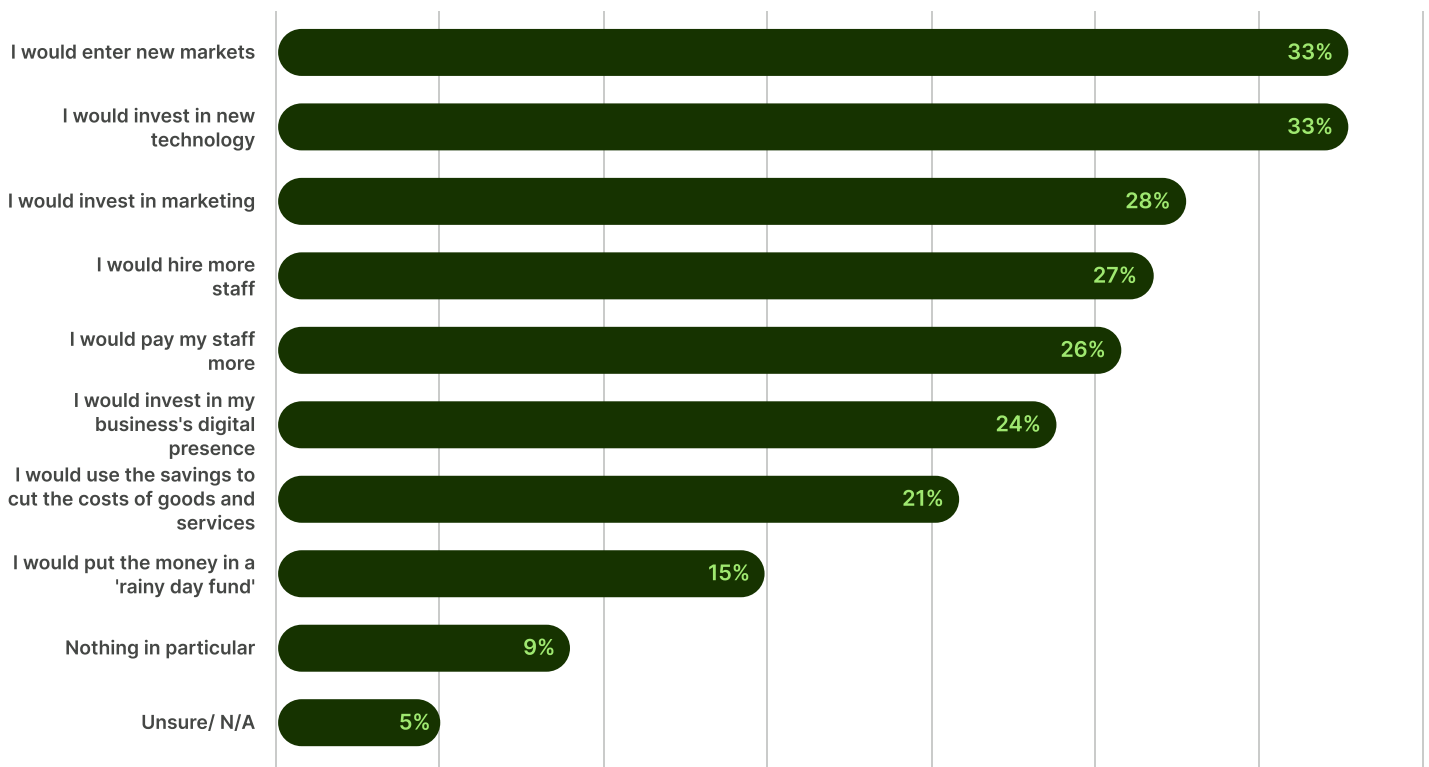
SMB owners are constantly looking to reduce costs and increase revenues, but instead of banking a profit or paying themselves higher salaries, most are focussed on investing that money back into growing their business — they're thinking long term.

**“The price of international payments is having a much wider impact on the UK economy than might be expected”**

When asked whether a reduction in the cost of international banking services would change their business strategy, the results were stark — more than a third (33%) said it would enable them to enter new markets, invest in new technology (33%) while a quarter said they would hire more staff (26%).

The price of international payments is having a much wider impact on the UK economy than might be expected. By holding back SMBs and their ambitions for international expansion and business investment, hidden fees are also hindering growth by making it more difficult for businesses to hire staff and pay them a fair wage, invest in services such as tech and marketing or protecting their bottom line by building up a 'rainy day' fund which can be key to business survival.

If the cost of international banking services were to be reduced, what would you do, if anything?



# Ending the Opt Out

It's in the nature of hidden fees that banks are able to keep SMBs in the dark about the true cost of international payments. The ability to hide their margin in exchange rate markups is part of what makes SMBs so valuable as customers.

But when business owners are properly informed about this practice, and how much it's costing them, it's clear that they want to see action to enforce price transparency so that they can make informed decisions on which provider to use.

A resounding majority of SMBs (65%) agree that the Corporate Opt Out should be removed. These businesses believe they should be afforded the same protections under payments regulations as their consumer counterparts.

## “It's time for banks to give small businesses a better deal”

A total of 67% agree that the Opt Out is unfair, and more than three quarters (82%) think that it's the role of regulation to encourage banks to be transparent about international payments costs.

At Wise, we believe that hidden fees and exchange rate markups are a practice that governments and policy makers could put a stop to for no extra cost to the taxpayer. This simple rule change could save the UK's small businesses billions. It's time for banks to give small businesses a better deal and for policymakers to End the Opt Out today.

Current payments legislation allows banks to avoid being honest and transparent about what they charge SMBs for international payments, due to a corporate Opt Out. To what extent do you agree or disagree with the following statements?

The Opt Out should be removed



The Opt Out is unfair



Regulation should encourage banks to be transparent about international payments costs



● Agree   ● Disagree   ● Neither agree nor disagree

## What needs to change?

As we have shown, the UK's SMBs are being held back by hidden fees and the Corporate Opt Out which allows banks to get away with this practice. Their ambitions to expand overseas and contribute more to the economy by growing their businesses are being stymied by inadequate protections in regulation – and it's costing them £2.8 billion a year.

At Wise, we believe that business deserves better. That's why we've launched the End the Opt Out campaign, calling for a change in regulations to ensure that consumers and SMBs get more transparency when sending payments internationally and that SMBs are no longer excluded from that transparency.

payment service provider) and 60 (information requirements for account information service providers).

(5) Regulations 43 to 47 apply to payment services provided under a single payment service contract.

(6) Regulations 48 to 54 apply to payment services provided under a framework contract.

(7) If the payment service user is not a consumer, a micro-enterprise or a charity, the parties to a contract for payment services may agree that any or all of the provisions of this Part do not apply.

(8) Paragraph (1) applies to cash withdrawal services falling within paragraph 2(o) of Schedule 1 as if—

- (a) references to payment services were references to cash withdrawal services falling within paragraph 2(o) of Schedule 1;
- (b) references to payment service providers were references to providers of cash withdrawal services falling within paragraph 2(o) of Schedule 1; and
- (c) references to this Part were references to regulation 61 (information on ATM withdrawal charges).

No. 752 Financial Services and Markets The Payment Services Regulations 2017  
Application of Part 6 40.7 Page 40

## What can you do about it?

As part of the End the Opt Out campaign we've launched a petition, which you can sign at [insert vanity url] calling on the Government to take the steps above to support the UK's hard working SMBs.

Once we've collected the signatures and information needed, we'll deliver the petition to Downing Street on your behalf, and call on the Government to take action to End the Opt Out and ban the practice of hidden fees in cross-border payments today.

To sign the petition for change:  
[wise.com/endtheoptout](https://wise.com/endtheoptout)

## What can the government do about it?

As part of its ongoing review in the Payment Services Regulations (PSRs), HM Treasury has to strengthen the language on transparency in cross-border payments and ban hidden fees in inflated exchange rates. This is to ensure that financial institutions clearly show all exchange rate mark-ups and associated fees upfront to consumers and SMBs alike, before they make an international transfer.

The Government can also make changes to the Payment Services Regulations to remove the 'Corporate Opt Out', as highlighted above. Removing this clause will finally give SMBs the same rights as consumers.

The Financial Conduct Authority (FCA) should, in its guidance to financial institutions, provide example boxes that clearly demonstrate best practice of how firms should disclose their exchange rate markups and show the total cost of a payment to customers.

Full price transparency in cross-border transactions should be an integral part of the FCA's enforcement action as part of the price and fair value metric of the Consumer Duty.

The Government can announce and enforce a ban on hidden fees in inflated exchange rates for both businesses and consumers once and for all.



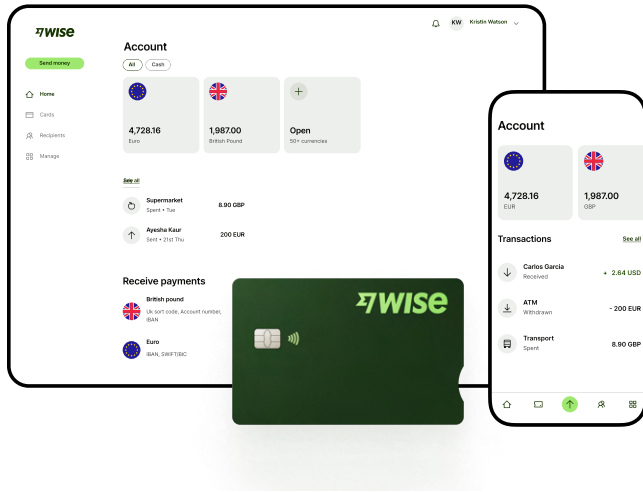
**Magali Van Bulck**  
Head of EMEA Policy at Wise

"For too long, financial providers have been charging grossly unfair fees and inflated exchange rates. This needs to end now, and the Government has an opportunity to do this.

"The problem impacts everyone. But it's particularly bad for SMBs. Consumers are protected by existing transparency which, although patchy, does at least exist. Banks and other providers have just chosen to continue hiding fees. SMBs aren't even covered by these patchy rules - thanks to the Opt Out. Without transparency, time-strapped SMBs cannot compare the market and therefore competition is suppressed. We want to put an end to hidden fees in cross-border transactions once and for all."

# Meet Wise Business

At Wise, we believe SMBs face enough obstacles to business success, without the added — and unnecessary — burden of hidden fees on international payments.



To learn more about Wise visit:  
<https://wise.com/gb/business/>

Wise Business is the easy to use business account from Wise. Put simply, it's business finance without the high rates, hidden charges, and monthly fees. In the UK, businesses can use Wise to:

- Pay employees and vendors across borders in 40+ currencies
- Get paid in 9+ currencies including GBP, USD and EUR
- Earn 0.5% cashback with business debit cards
- Manage cash flow by connecting to accounting software
- Control outgoings by letting employees spend with business expense cards

Since launching in 2016, Wise Business has continued to expand its range of services aimed at addressing key problems for international businesses. Wise Business offers fast, convenient, low-cost international payments.

We built it because small businesses deserve better. But banks seem to think otherwise. In 2022, over 300,000 active business customers, ranging from sole traders to SMBs and larger companies, used Wise to manage their international business payments — and we're only just getting started.

Our ambition is for Wise Business to be the only account international businesses need for all the jobs they need to do, including getting paid, paying employees and suppliers, as well as managing cash flow, treasury and expenses.

	Banks	WISE
<b>Speed</b>	International transfers via the SWIFT network can be slow, sometimes taking 2-5 days to arrive.	Wise has built its own global payments network, meaning that payments arrive at the speed of local transfers. In 2022, more than 50% of Wise payments arrived instantly*, almost all arrive within 24 hours.
<b>Convenience</b>	FX payments with banks can be difficult to integrate into SMBs' accounting software and financial workflows.	Wise is fully digital, offering SMBs the option to login via desktop or mobile app. Wise Business can also be integrated into accounting softwares such as QuickBooks and Xero.
<b>Transparency</b>	Fees and extra charges can be hidden within variable exchange rate markups, making it difficult to compare the best deal.	Fees, costs and delivery estimates are disclosed upfront and clearly displayed, so SMBs know how much they're spending and when their payment is likely to arrive.
<b>Price</b>	Bank transfer costs can include several fee types, including third party charges.	Wise charges the mid-market exchange rate plus a low cost transfer fee.

## Methodology

### Capital Economics:

Research commissioned by Wise and independently conducted by Capital Economics in January 2024.

### Censuswide:

Research carried out by Censuswide on behalf of Wise among 3001 SME decision makers based in the UK between 20th October - 3rd November 2023. Questions 7 - 10 inclusive are based on a sample of 1,500 small business users surveyed between August - November 2023.

**7Wise**