UK Debt Collection Industry:

Stats, practices and AI-powered automation

September 2025

Table of Contents

Intro

The following report represents statistics gathered to get an insight into the current state of the debt collection industry in the UK and the technologies that allow debt collectors to minimise risk and successfully manage debt recovery processes during times of uncertainty.

Global and domestic pressures have shaped the challenges facing United Kingdom households in recent years. Despite significant public policy measures, incomes and employment opportunities remain under strain. The cost-of-living crisis, driven by high inflation and rising interest rates, has severely impacted low-income households.

Families across the United Kingdom face sharp price increases and stagnant or declining real household incomes. Key contributors to inflation include sustained rises in energy costs, petrol and diesel prices, and food expenses. Global supply chain fragility, the continuing geopolitical situation, and disruptions in European wheat and gas supplies due to the prolonged war in Ukraine have compounded these pressures.

The Bank of England's monetary policies, introduced to curb inflation, have increased mortgage and loan costs, reducing disposable household income. These factors continue to strain household budgets and contribute to economic uncertainty for millions of families.

Several factors make debt collections particularly challenging during times of crisis. There is the question of ethics and empathy. With many debtors experiencing a sudden decrease in wages and some being laid off entirely, widespread disruption of businesses often results in periods of grave uncertainty. This does not sit well with debt repayments, which rely on consistency. Debt collections software offers a lifeline for banks and collectors in periods of instability, supporting organisations through severe natural and economic disruptions in recent years.

At the same time, the debt collection industry is undergoing a significant transformation through generative artificial intelligence. Lenders and agencies are deploying generative AI models to improve customer communication and streamline repayment processes. These systems can draft personalised messages, explain repayment plans in clear and empathetic language, and respond to real-time customer questions. By enabling consistent and human-like interactions, generative AI reduces the stress often associated with collections and allows lenders to achieve higher engagement and repayment rates while lowering operational costs.

Consumer debt of the UK citizens

Consumer credit and mortgage borrowing remain elevated compared to pre-pandemic levels. Net borrowing of mortgage debt surged by £12.96 billion in March 2025, marking the highest monthly increase since mid-2021.

The high demand for essential credit reflects rising financial insecurity. Approximately 1.6 million adults used personal loans to cover everyday expenses such as food, travel, or rent. Additionally, 2.8 million people carry persistent credit card debt, paying more interest and fees than they manage to repay.

UK households continue to battle elevated living costs and subdued incomes. The cost-of-living crisis persists into 2025: real household disposable income per person declined by 1% in Q1, even as the economy grew at a G7-leading 0.7%, and the saving ratio fell to 10.9%.

Outstanding consumer credit is growing steadily. In the year to March 2025, outstanding debt increased by 5.6%, while credit card borrowing rose 4.5%, bringing total outstanding consumer credit to approximately £235.9 billion.

Access to affordable credit remains limited for many. High costs and debt burdens continue to strain low-income households, although recent reforms and fintech innovations may offer alternative solutions.

Corporate distress remains a concern. In mid-2025, company insolvencies continued above pre-pandemic norms, with creditors' voluntary liquidations (CVLs) remaining dominant, though with some year-on-year moderation. The government retained support tools such as the Recovery Loan Scheme and Breathing Space to assist businesses and individuals. (Source implied)

Statistics on money and credit

Net borrowing of mortgage debt by UK individuals rose to £5.3 billion in June 2025, up from £2.2 billion in May. This represented a £3.1 billion increase, signalling a sharp rebound in mortgage activity.

Mortgage approvals for house purchases reached **64,200** in June 2025, up modestly from **63,288** in May. This marks a steady increase in buyer activity. This rise reflects renewed confidence in the housing market, supported by gradual reductions in mortgage rates and stronger wage growth.

The effective interest rate, the actual rate paid on newly drawn mortgages, fell for the fourth consecutive month, reaching **4.34 per cent in June 2025**, down from **4.47 per cent** in May.

Consumer credit borrowing by individuals fell sharply in May 2025, with net borrowing totalling **£0.86 billion**, down from **£1.94 billion** in April, an apparent slowdown in consumer reliance on credit amid easing cost-of-living pressures.

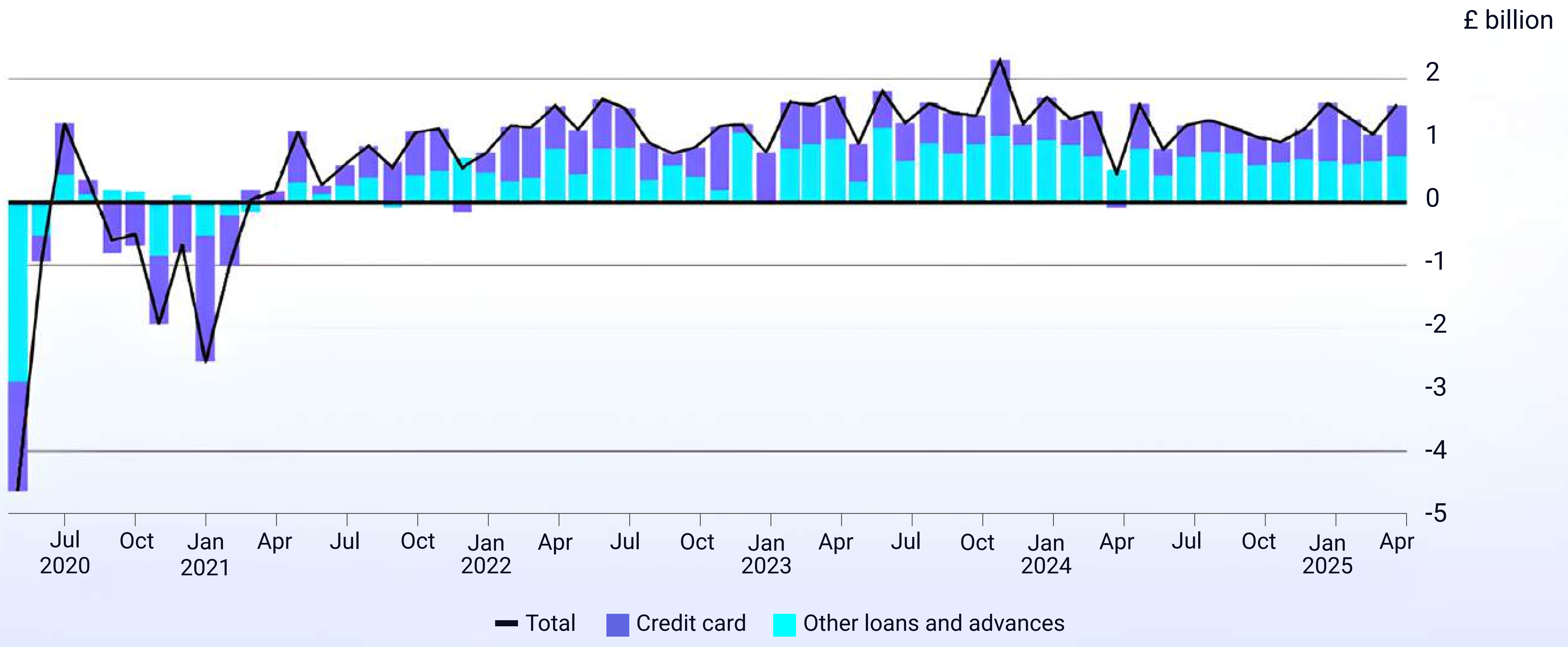
Non-financial businesses in the UK registered net bank borrowing of **£1.2 billion in April 2025**, down from **£2.0 billion in March.** This reflects modest continued lending activity under tighter credit conditions, with borrowing by SMEs flat and larger firms accounting for most of the inflows.

The net flow of sterling money (M4ex) rose to **£5.2 billion in May 2025**, up from **£4.0 billion in April**. This indicates increased economic liquidity and stronger money creation across the private sector and household holdings.

The effective interest rate paid on individuals' new time deposits with UK banks and building societies declined in November 2024, falling to **4.28%**, down from **4.36%** in October. This slightly lower rate reflects prevailing short-term market conditions in the run-up to mid-2025.

Consumer credit growth rate

A common way to assess how quickly households are taking on consumer credit is to look at the annual growth rate, as shown here for total consumer credit and its components:



Challenges in the UK microfinance sector in 2025

The cost-of-living crisis

According to recent reports, around 44% of UK adults live in financially vulnerable circumstances.

Premiums on high-cost credit can reach or exceed £600 annually due to rising interest rates and fees

Millions financially excluded

2.5 Million

use high cost credit

1 Million

use high cost credit to cover day-to-day living costs

13 Million

lack a financial buffer for sudden income shocks

High-cost credit usage:

14 %

of adults report using more credit than usual to keep afloat

The cost-of-living crisis: 2025 overview

UK households continue to face financial strain in 2025 due to persistent inflation and wage stagnation.

CPI

inflation rose to 3.6% in June 2025, up from 3.4% in May

Core inflation

(excluding food, energy, alcohol, and tobacco) rose to 4.3%

CPIH

(includes housing) reached 4.1%

Inflation

remains above the Bank of England's 2% target

Essentials increasingly consume household budgets

Key drivers of price pressure

The increase in inflation was primarily driven by:

Transport costs – airfares, petrol, and rail services rose sharply

Food and non-alcoholic beverages – annual inflation at 4.5%

Recreation and culture – upward contribution due to holiday and leisure services

Energy costs remain volatile despite easing slightly under the new Ofgem cap

Impact on households

Rising prices continue to erode purchasing power:

- Household disposable income fell by 25% between April–June 2025
- Three in four households now spend most of their income on essentials
- Food, rent, energy, and transport remain top contributors to household pressure
- Many families report cutting back on savings and increasing reliance on credit
- Real incomes have yet to return to pre-crisis levels

Key takeaways

CPI

Core inflation remains high, especially in services and food. Monetary policy likely to stay restrictive.

Household strain

Rising rents, mortgages, and utilities continue to erode disposable income. Cost-of-living pressures remain acute.

Delayed income recovery

Real wages unlikely to return to growth until late 2026, slowing consumer spending and recovery.

Ongoing uncertainty

Energy price volatility, weak productivity, and global supply chain risks weigh on investment and confidence.

Credit & savings shift

Households face reduced repayment capacity, higher reliance on credit, and falling savings rates, heightening vulnerability.

Company insolvency statistics for England and Wales 2025

In June 2025, there were 2,043 company insolvencies across England and Wales: 8% lower than May 2025 (2,230) and 16% lower than June 2024 (2,430). This suggests a modest easing in insolvency activity.

1,585
Creditors' Voluntary Liquidations (CVLs)—making up 78% of all insolvencies.

332
Compulsory Liquidations

111
Administrations

15
Company Voluntary Arrangements (CVAs)

Micricredit regulation and market 2025

The UK still lacks a specific regulatory framework for microcredit as a sector. Most microcredit is provided by Community Development Finance Institutions (CDFIs) and credit unions, which remain regulated under the Consumer Credit Act and supervised by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

There is limited support for microlending activities since there are no funds at the national or regional level to support microcredit provision in the country. However, individuals that offer financial support for microcredit provisions receive tax incentives.

As of 2025, only the Fredericks Foundation and BCRS Business Loans continue to comply with the voluntary European Code of Good Conduct for Microcredit Provision.

There are no new national or regional funds to support microcredit provision, but Community Investment Tax Relief (CITR) continues to incentivise private investment in CDFIs. The list of accredited CDFIs is available on the UK government website.

Government entrepreneurship support remains focused on the “Start Up Loans” and “New Enterprise Allowance” programmes.

Regulation, lending, and interest rates 2025

The FCA and PRA continue to supervise CDFIs and credit unions, focusing on consumer protection, affordability, and institutional soundness.

CDFIs and credit unions are not required to share client data with the national credit bureau but may access it for credit assessment.

Interest rate caps as of 2025:

100% APR

CDFIs for short-term loans (under 12 months).

42.6% APR

Credit unions cap on all loans, including business microloans.

There is no statutory maximum loan amount for microloans from CDFIs or credit unions.

The CDFI sector targets significant growth, intending to increase lending from £200 million by 2027.

Policy developments and sector trends 2025

Calls for a national support fund for microlending continue, but no new government fund has been established in 2025.

Regulatory reforms are ongoing. The FCA is consulting on modernising the Consumer Credit Act and new rules for Buy-Now Pay-Later (BNPL) products.

The UK government continues subsidising business development services and promoting entrepreneurship, but entrepreneurship education is still not part of the secondary school curriculum.

The number of people on Universal Credit reached 7.9 million in June 2025, highlighting continued demand for affordable credit and financial inclusion.

The credit union sector continues to grow, with over 2 million adult members and record income levels reported in 2024.

UK debt collection industry snapshot

The UK debt collection services market is valued at approximately USD 1.54 billion in 2025 and is projected to grow at a CAGR of 2.3 %.

Globally, the market is expected to increase from USD 29.35 billion in 2024 to USD 30.19 billion in 2025, a 2.9 % growth rate.

Market Concentration

Leading figures like Arrow Global, Cabot Credit, and Lowell are forecast to control a significant share of the market (estimated at 40 %), reinforcing a moderately concentrated industry landscape.

Regional Presence

Historically, the North West, London, and the South East have been hotspots for debt collection agencies; these regions remain strongholds in 2025.

Cost Structure & Labour Dynamics

The industry remains labour-intensive, with businesses relying more on workforce deployment than capital assets.

UK debt collection market context & trends

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Household Impact

84% of UK adults use credit; 2.8m face persistent debt, and 11.4m live in overdraft, highlighting ongoing financial strain.

Fairer Collections

2025 reforms aim to reduce household stress by limiting bailiff action and encouraging early, affordable repayment plans.

BNPL Oversight

From 2026, Buy Now Pay Later firms must run affordability checks and provide Ombudsman protection, protecting vulnerable borrowers.

Regulation

FCA's new credit reporting framework simplifies compliance while keeping consumer well-being central.

Outlook: Debt collection is shifting from pure recovery to balancing revenue with compassion and fairness.

Macroeconomic trends affecting the industry

NPL volumes stabilised

Non-performing loans have levelled off post-pandemic. Growth in portfolios has slowed, but conditions are steadier and more predictable.

High credit demand

34% of UK adults cannot save, and 23% could not cover an unexpected £850 expense, keeping reliance on credit elevated.

Rising vulnerability

10% of adults have no savings, and 1 in 3 aged 25–34 hold negative wealth, exposing younger households to greater financial risk.

Regulatory scrutiny

Stronger oversight on affordability checks, Buy Now Pay Later, and fair collection practices requires compliance-focused strategies.

Industry response

Collectors are adopting AI and data-driven methods to segment vulnerable groups, improve repayment analysis, and ensure compliance.

Key trends affecting the industry

Stronger focus on the cash collection cycle

Working capital remains a top concern for businesses. Accounts receivable management is no longer a background process but central to ensuring liquidity amid tight margin pressures.

Accelerated digital transformation

The global accounts receivable automation market is projected to reach USD 4.01 billion in 2025, up from USD 3.52 billion in 2024. This represents a robust 13.8% CAGR as teams embrace automation to speed collections and reduce errors.

Wider automation adoption

AI-enhanced workflows are rapidly replacing manual dunning, emails, and spreadsheet tracking. Organisations are transitioning repetitive tasks to software, freeing staff to address higher-value, strategic work.

More refined customer segmentation

Modern systems now capture detailed payment behaviours, enabling tailored communications based on default risk. This improves recovery outcomes while enhancing customer experience and lowering costs.

Debt collection software market

Global market value: USD 4.13 billion in 2025, projected to reach USD 6.35 billion by 2030 (CAGR 8.9%).
UK market estimated at USD 190 million in 2024, with steady growth forecast to 2035.

Software helps overcome data, process and technology barriers to maximise recovery.

Key benefits

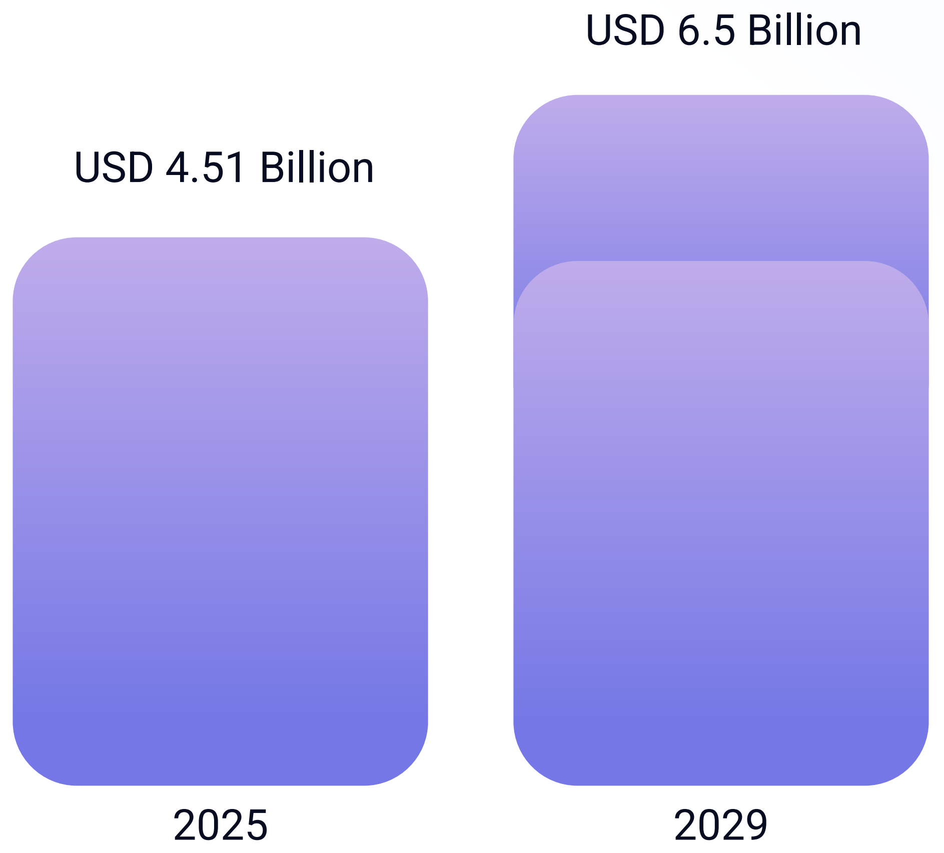
Efficiency
Automates routine tasks, freeing agents for higher-value work.

Customer segmentation
Provides a single customer view and tailored communication.

Progressive collections
Optimises dialling and contact strategies to improve repayment rates.

Debt Collection Software Market

Market forecast to grow at a CAGR of 9.6%



Competitive landscape

The following groups are considered to be the market leaders.

Cabot (including Orbit and Westcot), PRA, Lowell (including acquired Hoist), Arrow Global and Moorcroft. Moorcroft is the largest of the pure debt collection agencies which do not purchase debts remaining independent.

Several others have been acquired by debt purchase groups with a long tail of smaller collectors, many focusing on specific niches, still operating. The leading debt purchase groups active in the UK are Arrow Global (UK), Axactor (Norway), B2 Holding (Norway), Cabot (UK), EOS Europe (Germany), Kruk (Poland), Intrum Group (Sweden), Link (LCM) Europe (UK) and Lowell (UK).

Leading players continue to make better use of data to improve their collection success and to enable them to offer higher prices to improve their success in purchasing portfolios. Most are now part of European-wide groups, looking for higher growth outside the relatively mature UK market.

! A key focus for all is an investment in technology to reduce operating costs, improve service levels and demonstrate compliance with regulations.

AI in the debt collection industry

Agents spend too much time on the same types of conversations. **Over 70% of all debt collection calls** are of a pre/soft collection

With rapidly changing technology, regulations and demographics, debt collection agencies face a wide range of challenges. Debt collection is a time-consuming and extensive task. For example, the client may require frequent support, which can take a lot of time and effort and the costs will be extremely high.

In addition, debt collection needs a great deal of legal attention. It requires verification of each defaulter, the reason for non-payment, confirmation of promise-to-pay dates, etc. Having meaningful and error-free conversations with debtors every day is an unrealistic task for most call centre agents.

A call centre agent spends on average about **30% of the working time making calls**

While **70% is spent on research, the call itself and a long break** after an exhausting conversation

Equally important is the fact that agents should be sensitive to the personal situations in which clients may find themselves. The middle ground between debt collection and empathy for customers is a balance that can be difficult to find.

AI-powered automation

The automation of the collection process plays an important role and is already becoming an integral part of the default management process. Voice bots are not only more convenient but are also more cost-effective than a team of agents.

Reduced burden on collection agents' duties

The debt collection process usually begins with the agent sending an initial notice to the client with the arrears. If no response is received within a set time frame, follow-up messages will be sent. Agents spend hours sending messages, making calls and picking up the right phrases.

A single 24/7 operating collections bot can replace an entire contact centre. Designed specifically for a variety of debt collection practices, it has script samples and debtor status lists.

Bots can remind a debtor of unpaid debts via **WhatsApp, email, SMS, Telegram or simply by calling.** You no longer have to allocate an agent who will constantly chase clients until they pay

Improved debt repayment performance

In everyday practice, debt collection agents try to make as many calls as possible to contact debtors. However, this does not always mean that a needed rate of the debts will be recovered. In the worst cases, this approach can breach the requirements of the FCA and CSA regulators.

Clients with arrears are usually reluctant to talk openly about their debts, ignoring messages and calls from agents. Knowing they're chatting with a robot, customers will feel less pressured. The automated collection bot is impersonal and non-judgmental, so the embarrassment factor is reduced.

Debt collection bots also simplify customer interactions, making conversations more efficient and personalised. Using customer data from the CRM, bots provide answers to questions in real time with no chatbot-to-human handoff.

Automated customer coverage

Debt collection is becoming increasingly efficient through the introduction of automation. More than 50% of the customer interaction process can be completed by an AI assistant which can handle most of the simple issues such as identification, notification and confirmation of promise-to-pay dates.

With AI bots, agencies can automate the whole collection process by creating custom call flows. This will help make decisions based on the data collected by the bot, getting results in real time.

Effective debt collection strategy with AI

Implementation of a digital strategy is a customer-oriented approach, which is crucial for clients. Bots allow debtors to free themselves from the guilt associated with talking about their debts and instead discuss better payment options. In addition, by analysing the debtor’s emotions, the bot can emphasise and respond in a more convenient way.

A collection bot can replace an entire contact centre. Such a bot is able to make up to a million calls and texts a day, showing an 80% increase in debt recovery. Such AI assistants can send out regular reminders and offer the debtor different options to choose from.

The Debt Collections Bot by Tovie AI is a conversational AI solution that can be easily implemented in any existing default management process. The bot automates the debt collection process, saving up to 50% on agents. That way, organisations get a higher conversion rate and extra revenue.

About Tovie AI

At Tovie AI, we set ourselves a goal to make an interaction with a robot, virtual assistant, or a simple bot to be as natural as possible.

Our comprehensive tool ecosystem, end-to-end solutions, accurate NLP engine, and customized analytical reports enable our users to test the market and get the most out of their investment.

We offer solutions and technologies that help bring to life conversational AI projects of any complexity: from basic to advanced. Our technological capabilities allow for deep customisation, as well as integrations with all popular business systems. Powered by the trailblazing hybrid synthesis technology, our voice bots sound as human as possible.

For more information, visit tovie.ai or contact us at contact@tovie.ai

Sources

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