

# 1 in 3 small firms may shut for ever, warns FSB

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The Federation of Small Businesses said that a sudden retraction of government support after the lockdown is eased would pose a threat to “millions of livelihoods”



One in three companies that have temporarily shut during the lockdown fear that they may never reopen, according to a survey of thousands of small businesses by Britain’s largest employers’ group.

In findings that underscore the challenge that faces the government as it weans businesses off emergency support packages, one in three small employers said that they were considering or had made redundancies.

Seven in ten of the respondents to the survey of more than 5,000 companies are using the state staff furlough scheme, which underwrites 80 per cent of wages. The Federation of Small Businesses, which conducted the research, said that a sudden retraction of government support would pose a threat to “millions of livelihoods”.

Three quarters of employers expect to benefit from yesterday’s extension of the jobs support scheme to October and the ability to bring furloughed workers back part-time from August. However, employers will be expected to help the government pay for the furlough scheme from August and there are doubts over how many will be able to do so.

Four in ten companies said they had been forced to close since the start of the coronavirus outbreak in the UK. Of those that have closed, 35 per cent are not sure whether they will reopen again, the FSB found.

More than a quarter of small businesses paying a mortgage or lease on their premises have failed to make, or faced severe difficulties in making, repayments as a result of the pandemic's economic impacts, the FSB warned. A similar proportion have had to pause product development plans.

Mike Cherry, the federation's national chairman, said that government support would need to be carefully tapered away. "The economy will not go from zero to a hundred overnight once we're into the recovery phase. The crucial support that's on offer needs to be kept under review as we chart a course back to economic recovery," he said.

A separate study of 19 regional accountancy firms, together working with almost 20,000 small and medium-sized business clients, suggested that employers will need longer-term support to survive beyond the easing of the lockdown. One in ten of these companies had felt able to prepare cashflow projections for the months ahead, according to the research by the Corporate Finance Network.

Kirsty McGregor, chairwoman of the group, said: "Businesses will not simply be able to pick up where they left off."