

Press release: Crack down on suppliers who don't pay on time

- Companies supplying to Government could be prevented from winning government contracts if their suppliers are not paid on time
- The government is levelling the playing field for small businesses bidding for government contracts
- Minister says: "Paying invoices on time is vital for smaller businesses who are the backbone of the UK economy"

A new prompt payment initiative to ensure all Government suppliers and subcontractors benefit from being paid on time, is being announced today.

For the first time, failure of companies to demonstrate prompt payment to their suppliers could result in them being prevented from winning government contracts.

Coming into force in Autumn 2019, this will ensure the government only does business with companies who pay their suppliers on time, many of which are small businesses. The move will promote a healthy and diverse marketplace of companies providing public services.

Cabinet Office Minister, Oliver Dowden said:

Companies providing crucial services to the public sector, like supporting prisons and delivering road infrastructure projects, must be paid on time.

Paying invoices promptly is vital in providing healthy cash flow, particularly for smaller businesses who are the backbone of the UK economy, to help them survive and thrive.

From next year, if government contractors are late with supplier payments, they could stop winning public contracts altogether – until they clean up their act.

Martin McTague, Policy and Advocacy Chairman for the Federation of Small Businesses (FSB), said:

This measure will get the thumbs up from the small business community. This sends a clear message from Government that paying late is not okay.

Cracking down on big businesses supplying to Government, and not paying on time, is a win for small businesses, tax payers, the wider economy and public services. Measures to open up public procurement give tax payers and our public services access to the innovation and value small firms bring, as well as helping our economy. This is a challenge, and there is, of course, more to do, but FSB recognises the policy progress that is being made.

We have been pushing hard for this reform and it is good to know that the Government is listening. We will continue to work with the Government on this and further measures to drive out late payment from Government supply chains once and for all.

James Roberts, Political Director of the TaxPayers' Alliance, said:

Getting involved in public procurement is a tough gig for small firms. In the past, bigger contractors have dragged their feet when paying smaller suppliers, causing them cash flow problems and leaving SMEs hesitant to take the work.

These proposals finally do something about that. Making the process more small business friendly delivers the double whammy of driving down costs and supporting enterprise. Taxpayers should welcome these changes, which will ultimately mean more competition, lower costs and better services.

To demonstrate the government's commitment to helping small businesses and to mark Small Business Saturday, it will also update its supplier complaints service to ensure business voices are heard.

Formerly called Mystery Shopper, the free and anonymous complaints service – now called the Public Procurement Review Service – helps suppliers of all sizes raise complaints and concerns about procurements they're involved in or about the conduct of contracting authorities.

Since 2011, the service has helped speed up payment of over £5.2m stemming from Government contracts.

This follows the government's further measures announced in recent months to level the playing field for small businesses bidding for government contracts. This includes the ambition to pay 90% of government's undisputed invoices within 5 days and requiring suppliers to advertise opportunities worth over £5m on the Contracts Finder website.

Additionally, the Prime Minister has appointed a Small Business Champion minister in each government department to oversee a robust action plan to help us meet our aspiration of spending one pound in three with SMEs by 2022.